

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name <b>COUNTY OF OTTAWA</b>	County <b>OTTAWA</b>
Audit Date <b>12/31/04</b>	Opinion Date <b>5/13/05</b>	Date Accountant Report Submitted to State: <b>6/27/05</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

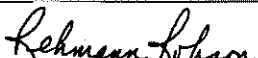
1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |   |   |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).		✓	

Certified Public Accountant (Firm Name) <b>REHMANN ROBSON -- DOUGLAS J. VREDEVELD, CPA</b>			
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Accountant Signature 			Date <b>6/27/05</b>

# **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

of

## **COUNTY OF OTTAWA**

Grand Haven, Michigan

For the Year Ended December 31, 2004

### **BOARD OF COMMISSIONERS**

2004

DENNIS W. SWARTOUT, CHAIRPERSON  
FREDERICK VANDERLAAN, VICE CHAIRPERSON

EDWARD BERGHORST  
JOYCE KORTMAN  
PHILIP KUYERS  
ROBERT J. RINCK  
JANE RUITER

ROGER RYCENGA  
GORDON SCHROTENBOER  
CORNELIUS VANDER KAM  
DONALD DISSELKOEN

ADMINISTRATOR  
ALAN G. VANDERBERG

FISCAL SERVICES DIRECTOR  
JUNE HAGAN

## COUNTY OF OTTAWA

### Comprehensive Annual Financial Report For the Fiscal Year Ended December 31, 2004

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# County of Ottawa

## *Administrator's Office*

**Alan G. Vanderberg**  
*County Administrator*

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June 7, 2005

Members of the Board and the Citizens of the County of Ottawa:

The Comprehensive Annual Financial Report of the County of Ottawa, Michigan, for the fiscal year ended December 31, 2004, is submitted herewith. The financial statements included in this report have been audited by Rehmann Robson, an independent firm of certified public accountants. The report is prepared for the purpose of disclosing the County's financial condition to its residents, elected officials, and other interested parties.

The financial statements have been prepared in compliance with applicable State statutes and Generally Accepted Accounting Principles (GAAP) as stated in the Governmental Accounting Standards Board statements and interpretations. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the County. We believe the data, as presented, is accurate in all material aspects, and that it is presented in such a manner as to fairly set forth the financial position and results of operations of the County as measured by the financial activity of its funds.

The independent audit of the financial statements of the County of Ottawa was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the County of Ottawa's separately issued Single Audit Report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The County of Ottawa's MD&A can be found immediately following the report of the independent auditors.

## **REPORTING ENTITY AND ITS SERVICES**

Named for the Ottawa Indians who hunted and fished the area's forests and streams, Ottawa County was established in 1837. The County began operation in December of 1837, and the U.S. Census of 1840 listed only 208 people in all of Ottawa County. The estimated 2004 population is 252,391 with substantial growth expected in the years ahead. Ottawa County, encompassing an area of approximately 565 square miles, is located in the southwestern portion of Michigan's lower peninsula having over 30 miles of Lake Michigan shoreline. The County is comprised of six cities, one village, and 17 townships. Ottawa County is the eighth largest county in Michigan in terms of total population.

The County is bordered by the City of Muskegon on its northwesterly boundary and the City of Grand Rapids on approximately half of its easterly boundary.

The topography of the County is flat to gently rolling, with approximately half of its land area being devoted to agricultural purposes. The County enjoys a healthy mix of tourism, industrial, commercial, and agricultural uses within its confines.

The County's legislative body is an eleven-member Board of Commissioners which is elected from single-member districts, determined by population, on a partisan basis for two-year terms. The Board annually elects from within its ranks a Chairman and Vice-Chairman by majority vote.

The financial reporting entity of Ottawa County includes all the funds and capital assets of the primary government (i.e., Ottawa County, as legally defined), as well as all of its component units. Component units are legally separate entities for which the primary government is financially accountable. The County provides a full range of services that are either mandated by State statute, or authorized by the County Board of Commissioners. These services include legislative, judicial, public safety, public works, health, welfare, cultural, recreational, capital improvements and general administrative services.

Blended component units, although legally separate entities, are, in substance, part of the primary government's operations and are included as part of the primary government. Accordingly, the Ottawa County Building Authority is separated into the appropriate fund categories of Debt Service, Capital Projects, Capital Assets and Long-term Debt and the Ottawa County, Michigan Insurance Authority is reported as an internal service fund. Discretely presented component units are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial position, results of operations and cash flows from those of the primary government. The Ottawa County Road Commission, the Ottawa County Central Dispatch Authority, the Ottawa County Public Utilities System, and the Ottawa County Drain Commission are reported as discretely presented component units.

## **ECONOMIC CONDITION AND OUTLOOK**

### **Local Economic Condition**

The employment condition of the County can be seen by comparing the labor market information for each year since 2000. Ottawa County's annual average unemployment rate was only 2.4 percent in 2000. It increased to 3.9 percent in 2001, to 5.2 percent in 2002, to 5.9 percent in 2003, but decreased to 5.5 percent in 2004. The annual average civilian labor force remained nearly constant over the entire period from 145,394 in 2000 to 144,467 in 2004. The number of persons employed decreased from 141,881 in 2000 to 136,473 in 2004. The number of unemployed persons increased from 3,513 in 2000 to 7,994 in 2004.

The labor market information for January 2005 showed that Ottawa County began the new year with a civilian labor force of 132,500 persons. Of that total, there were 124,100 persons employed and 8,400 persons unemployed for an unemployment rate of 6.3 percent. A year earlier (January 2004), the civilian labor force was lower at 130,284. There were less persons employed at 121,962 and slightly less persons unemployed at 8,322 for a similar unemployment rate of 6.4 percent. These estimates indicate that the local economy had only marginally improved over this year-long interval.

### **Ottawa County Employment Sectors**

Manufacturing is the largest employing sector of Ottawa County's economy representing approximately 39 percent of all private employment in 2003. This sector lost 5,524 jobs between 2000 and 2003. Within Ottawa County's manufacturing sector, the office furniture industry has been continually downsizing. Between 2000 and 2003, this industry lost 2,316 jobs. In addition, employment in transportation equipment (automotive components) manufacturing decreased by 1,829 jobs, and employment in fabricated metals group lost 1,029 jobs. Collectively, the job loss in these three industries accounted for 94 percent of the total manufacturing job loss in Ottawa County between 2000 and 2003.

The services-related sector is the second largest sector behind manufacturing with about 30 percent of all private jobs in Ottawa County in 2003. Collectively, it lost 2,393 jobs between 2000 and 2003. Retail trade, the third largest sector with 11 percent of the County's jobs in 2003, also experienced a decrease in jobs (1,435 jobs) during this period.

However, not all economic sectors experienced declines. Employment in the wholesale trade, transportation & warehousing, information, finance & insurance, and the real estate sectors each gained over the period, collectively by 836 jobs.

### **State and National Economic Comparison**

In comparing the local labor market statistics with state & national averages, Ottawa County's overall economic performance has been better than that of the State of Michigan and about *equal to that of the nation*. Ottawa County's average annual

unemployment rate of 5.5 percent for 2004 was much less than Michigan's rate of 7.1 percent and equal to the national rate of 5.5 percent. Ottawa County's unemployment rates have been consistently under the State's averages by one to one and one half percentage points for each of the last five years. Between 2000 and 2002, Ottawa County's unemployment rate was less than the U.S. average. For the last two years, Ottawa County's rate has mirrored the national rate.

Total employment in Michigan peaked in 2000. Between 2000 and 2003, private employment among all sectors in Michigan decreased by 249,795 jobs or 6.4 percent. Of that total, the manufacturing sector lost 162,124 jobs (65 percent of the total job loss). By comparison, the nation lost about 3.3 million private jobs between 2001 and 2003. Of that total, about 2.5 million jobs (76 percent of the total job loss) were in manufacturing. Michigan was one of the leading states in the country in terms of manufacturing job loss. The Michigan economy has not significantly improved during 2004, but recorded much less job loss than during 2003.

The economic slowdown in the U.S. since mid-2000 was largely due to a number of economic influences, including the rapid collapse of speculative stock market valuations, corporate scandals, terrorist attacks and military actions overseas. These influences will continue to affect the economy over the next few years. In addition, the escalation in the outsourcing of low-tech, labor intensive manufacturing work to foreign located operations like in Mexico and China may further hamper recovery. Many manufacturers are mandated by large customers to cut the prices on their products or lose the business. With repeated cuts, a firm is eventually forced to realize those cost reductions by moving part or all of the operation to a foreign location. The foreign operations offer lower operating costs usually resulting from very low wages, little or no benefits for laborers, the absence of environmental regulations and subsidies from foreign governments. A move by one firm can have a ripple effect influencing other manufacturing firms in the supply chain to relocate as well. The relocation of U.S. firms to foreign soil generally means the permanent displacement of workers from those manufacturing jobs. The loss of manufacturing jobs has an effect on employment in other sectors of the local economy as well. For every job lost in manufacturing, several other jobs will be at risk in other economic sectors. This globalization trend is dramatically reducing employment within America's manufacturing centers.

Technology is another factor hampering the growth in manufacturing employment. Companies are achieving greater production outputs while maintaining high quality with fewer workers by utilizing the latest machinery & equipment and in automating production operations. Productivity gains have made manufacturing firms more profitable and competitive, but have reduced the need for hiring more workers to meet the increased demands. The current recovery of the U.S. economy has been termed a "jobless recovery." Economic recovery will depend upon how a number of risk factors affect the economy, including the effects of the differences between perception and reality regarding consumption; investments and the stock market; inflation; consumption hampered by debt burdens; production over capacity and weak growth in exports.



### **Local Economic Impacts**

In mid March 2005, Pfizer announced the chemical manufacturing plant in Holland Township will be closing. This closure will directly affect 378 workers who will be displaced through the end of 2006. Pfizer reported that its decision was based upon having excess capacity at its other pharmaceutical operations in the U.S. and abroad.

At about this same time last year, Milwaukee, Wisconsin-based Johnson Controls, Inc. (JCI), announced its decision to move a sun visor production unit from Holland to Mexico in order for the company to stay competitive. An estimated 885 jobs, which represented approximately 20 percent of the work force in 2004, would be eliminated over an 18-month period.

However, in May of 2005, JCI announced a new deal to manufacture metal seat adjusters that will require the addition of 300 new jobs by the end of the year and 525 jobs as production increases in the coming years. The well trained workforce is the reason cited for JCI's decision to manufacture in Holland. This announcement represents a major vote of confidence for Ottawa County and bodes well for the future of JCI in Holland.

In 2003, manufacturing jobs comprised about 20 percent of all private employment in the State of Michigan, compared to a 39 percent share in Ottawa County. While the proportion of State and national manufacturing employment had been shrinking over time, until recently Ottawa County's manufacturing base had been growing. The characteristics that have contributed to a healthy economy in Ottawa County include a spirit of entrepreneurship, pro-business attitudes, local governmental cooperation, innovation, high productivity and a strong work ethic. Because of its strong work ethic, Ottawa County has traditionally had a low percentage of organized labor. So far, this latter characteristic has been preserved even though two of the County's largest manufacturers- JCI & Magna Donnelly have signed neutrality agreements. JCI is currently the largest manufacturing employer in Ottawa County with about 4,800 employees. JCI produces a variety of interior components for the automotive industry. The fifth largest manufacturing employer in Ottawa County, with about 1,750 employees, is Canada-based Magna Donnelly with several plants located in Holland. Magna Donnelly manufactures automotive windows and mirrors. Because of these neutrality agreements, management must allow union leaders to undertake efforts to organize their workforces. If successful, these organizing efforts could have a major influence on the manufacturing sector in Ottawa County.

Another characteristic of Ottawa County's economy contributing to its overall relative health is diversification, both across sectors and within the manufacturing sector. Within manufacturing there is diversification with employment spread among seven major groups. They include transportation equipment at 22 percent, furniture at 17 percent, fabricated metals at 11 percent, electronics at 8 percent, food processing at 8 percent, machinery at 7 percent, and plastic products at 4 percent. Collectively, employment in these seven manufacturing groups represented about three quarters (77 percent) of all manufacturing employment in Ottawa County in 2003.

Although the overall employment in the manufacturing sector in Ottawa County has been decreasing in recent years, there are many industrial firms that have been expanding operations by investing in new facilities, adding on to existing facilities, and acquiring technology upgrades with new machinery & equipment. This is evident from the number of P.A. 198 industrial facilities tax abatements on new real and personal property issued by local units of government. In 2004, a total of 78 tax abatements were issued to projects in Ottawa County, collectively valued at approximately \$141 million. Ottawa County had the highest number of tax abatements issued in the State of Michigan, exceeding all other counties. These projects will create 771 new jobs over the next 24-months. In prior years, the number and value of all P.A. 198 tax abatements issued for industrial expansion projects in Ottawa County were 60 for \$ 174 million in 2003, 51 for \$126 million in 2002, 66 for \$144 million in 2001 and 72 for \$629 million in 2000.

Of the industrial development projects receiving tax abatements in 2004, 7 projects had values of \$ 5 million or more. These projects were located in six different communities throughout Ottawa County. The largest proposed investment is by Gentex Corporation, a Zeeland-based manufacturer of automatic-dimming mirrors for the automotive industry at \$23.3 million. This represents another phase of the firm's five-year expansion plan worth over \$ 107 million that will create at least 625 new jobs. The Gentex project involves the construction of a 300,000 square foot manufacturing/tech center/corporate office headquarters complex that began in late 2004.

Gentex's expansion project has encouraged several other redevelopment projects in the City of Zeeland along the Washington Avenue corridor, including the demolition of several old, vacant industrial buildings that are being replaced with new commercial plazas. In addition, two former Sligh Furniture manufacturing buildings in this corridor are currently being renovated by Innotec. This auto parts supplier's \$ 7 million project will create 20 new jobs. These projects were made possible because of the City of Zeeland's participation in the State's Brownfield Redevelopment Program which can award single business tax credits to the project's developer/new investors and utilize tax increment financing to pay for clean-up costs of contaminated property. Brownfield Redevelopment Authorities have also been established in other communities in Ottawa County, including the cities of Grand Haven and Holland, Spring Lake Village, and Holland and Zeeland Townships.

The next largest project receiving a tax abatement in 2004 was Saturn Electronics & Engineering's \$ 12.7 million plant expansion in the City of Coopersville. This firm will add 41,000 square feet to its existing building and create at least 41 new jobs in the next 2 years. The other large projects include a \$ 10 million expansion by printer Steketee Van-Huis in the City of Holland, \$ 9.3 million expansion by metal stamper Walway Enterprises in Holland Township, \$ 6.8 million expansion by H.S. Die & Engineering in Tallmadge Township, \$ 6 million expansion by auto engine parts manufacturer Delphi Corporation in Coopersville and \$ 5.8 million expansion by Grand Haven Stamped Products in the City of Grand Haven.

In addition to having a strong manufacturing base, Ottawa County's economy is also based in agriculture and tourism & recreation. Ottawa County has the distinction of being ranked as the number one county in the State of Michigan in terms of the market

value of all agricultural products sold. Tourism and recreation thrives largely because of Ottawa County's many miles of Lake Michigan shoreline and ports in the Grand Haven and Holland areas.

As Ottawa County's population has grown, so has residential housing, especially over the last few years. According to the Census, there were 86,858 total housing units located throughout Ottawa County in 2000. Fueled by low mortgage rates, approximately 8,348 single-family units and 2,599 multiple-family units were constructed between 2000 and 2004. The estimated value of this new residential development in Ottawa County was over \$ 1.4 billion.

### **Local Economic Outlook**

Going forward into 2005, there are a number of other expansion projects that have started or been announced. The largest capital expenditure project currently underway in Ottawa County is the approximate \$ 350 million upgrade to Consumers Energy's Campbell Electric Generation Plant in Port Sheldon Township. New pollution control equipment is being added to reduce the emissions of nitrogen oxide at this coal-fired plant. The upgrade will be completed in 2007.

In Allendale Township, Nicholas Plastics has started construction on a new 112,000 square foot addition to its plastics manufacturing plant. This \$ 14.2 million expansion project will initially create 75 new jobs. Lakeshore Vision & Robotics (LVR), a high-tech firm in Holland Township, is expanding with the assistance from Michigan's new Grow Michigan loan program. LVR is the first loan recipient in the State under this program. This firm is a designer/builder of a new type of 3-D automated inspection systems for automotive components and wood products manufacturing production lines. It anticipates creating at least 10 new jobs over the next two years. Boar's Head Provisions, a manufacturer of delicatessen meats & cheeses, is proposing to undertake a \$ 19 million expansion to its food processing plant in Holland Township which will create 115 new jobs. Another Holland Township firm, Agritek Industries, is proposing to build a new \$ 2.7 million, 70,000 square foot manufacturing facility. This metal fabricator's growth will result in the creation of 15 new jobs in two years.

Two new large commercial development projects are also on the horizon in Ottawa County. Proposed this summer is the razing of an older manufacturing facility, formerly occupied by General Electric, along U.S. 31 and 16<sup>th</sup> Street in the City of Holland to make room for a new major retailer and residential development. Another vacant manufacturing facility (formerly owned by Baker Furniture) in Holland will be renovated for residential reuse as lofts. In Holland Township, a new Meijer store is opening in early 2005. A new Wal-Mart Super Store has been proposed for a location along U.S. 31 in Grand Haven Township.

Several other large capital expenditure projects in Ottawa County include the new \$36 million Zeeland Community Hospital located along Chicago Drive. This new 57-bed hospital will be 114,000 square feet in size. It is scheduled to open in early 2006. In the City of Holland, the Holland Hospital is currently undergoing a \$ 45 million remodeling/expansion project to expand the emergency department, add a new critical care unit and add more private rooms. This hospital is the second largest non-

manufacturing employer in Ottawa County. Elsewhere in Holland, Hope College has under construction a new \$ 22 million DeVos Fieldhouse on the former Western Foundry site. On the northside of Holland, Macatawa Legends is under construction. This private development project will feature a new 18-hole championship golf course surrounded by a residential community of up to 1,000 new housing units on a 950-acre site.

In 2004, Zeeland Farm Services which is one of the largest agricultural processors in Ottawa County (of soybean meal & oil) built a \$ 5.2 million six-mile long pipeline to tap methane gas from a nearby landfill and undertook plant improvements to utilize this new energy resource. The future of agriculture in Ottawa County could be enhanced by the implementation of two related feasibility studies. The first study (already completed) advocates the construction of an incinerator/co-generation facility to be fueled by farm animal and poultry wastes. The second study (currently underway) will evaluate utilizing an anaerobic digester to convert liquid farm animal wastes into methane gas. Both of these methods would produce fuels that can be burnt and ultimately produce steam and electricity. The traditional land application of farm wastes is becoming environmentally unsound in Ottawa County because of the build-up of chemicals like phosphorus in the soil after years of repeated applications. Converting wastes to “green” energy is a long-term solution to the problem that would enhance the raising of livestock and poultry in Ottawa County. The sites of a proposed incinerator and digester will depend upon the users of these new energy resources. Agricultural industry leaders will seek the creation of new State legislation to help implement these studies’ recommendations in Ottawa County as well as other agricultural areas in Michigan.

The recently depressed office furniture industry in Ottawa County is now showing signs of improvement. Herman Miller, the second largest manufacturer in Ottawa County in terms of employment, reported in early 2005 the highest monthly sales in a number of years. Haworth, the 4<sup>th</sup> largest employing manufacturer reported similar optimism. In 2004, Haworth closed a production facility in Arkansas and brought that work and jobs to Holland. The Business and Institutional Furniture Manufacturers Association, the office furniture industry’s trade group, reported that sales in 2004 increased by 5 percent over the previous year to \$ 8.9 billion. The forecast for 2005 is an 8.1 percent increase in sales to \$ 9.6 billion. West Michigan’s office furniture manufacturers are being challenged with competition from low cost manufacturers (foreign and domestic) of disposable furniture. They are responding by focusing better on core markets, operating leaner and being more adaptable to change.

Looking ahead at Ottawa County’s economy in the next two years, one scenario is that Ottawa County will continue to perform in the same relationship that it has over the past several years with the State and national economies. Therefore, the economic outlook forecasts for these larger areas will shed light on Ottawa County’s economic outlook. According to the Senate Fiscal Agency’s report, Michigan’s Economic Outlook and Budget Review, dated January 10, 2005, both the U.S. and Michigan economies are expected to continue growing in 2005 and 2006. Michigan’s job growth and personal income growth are expected to remain below the national averages. Michigan’s sectors expected to exhibit the largest gains in employment (services and trades) generally pay wages below those in the slowest growing sectors.

Michigan's annual average unemployment rate is expected to gradually rise from 6.7 percent in 2004 to 6.9 percent in 2005 and then to 7.0 percent in 2006. Wage and salary employment in Michigan will likewise increase slightly from 4,364,600 in 2004 to 4,406,400 by 2006. Personal income in Michigan is estimated to rise by estimates of 4.5 and 5.4 percents for 2005 and 2006, respectively. These State forecasts assume that light motor vehicle sales will increase from 16.7 million units in 2004 to 16.8 million units in 2005 and 17 million units in 2006. While the sales of vehicles are expected to be fairly flat, the domestic share of the sales mix is expected to decline. The national unemployment rates in 2004 and 2005 are estimated to hold constant at 5.5 percent; and then increase to 5.7 percent in 2006. Inflation in the U.S., as measured by the Consumer Price Index, is anticipated to stay level at 2.6 percent for the next two years. The Federal Reserve Board is gradually raising short-term interest rates. It is expected that as the national economy continues growing and federal deficits remain high, interest rates are anticipated to continue rising consistently through 2005 and 2006. With higher growth of the nation's economy, there will be substantial demands for additional energy in virtually every sector of the economy. With the petroleum refining industry at near capacity and global energy demand rising, energy prices may be substantially greater than forecasted.

With the above scenario, Ottawa County's annual average unemployment rate could continue at 5.5 percent in 2005 and increase to 5.7 percent in 2006. A contrasting scenario for Ottawa County's economic outlook is that there will be deeper structural changes occurring in Ottawa County's economic base with low-tech manufacturing employment continuing to decline due to more globalization. With a significant share of Ottawa County's total employment in manufacturing and its largest concentration of manufacturing employment in transportation equipment, Ottawa County may continue to experience further declines in employment and higher unemployment rates. Unemployment rates in Ottawa County under this scenario could exceed both the State and national averages. However, if expansions in employment continued in the growing sectors including wholesale trade, transportation and warehousing, information, finance and insurance and real estate, these new jobs would help compensate for the lost jobs in manufacturing.

Regardless of State and national economic conditions, there is confidence that Ottawa County's economy with its strengths in entrepreneurship, pro-business attitudes, local governmental cooperation, innovation, high productivity and strong work ethic will be stable in the years ahead.

## **MAJOR INITIATIVES**

The Ottawa County Board of Commissioners initiated and/or completed a number of major initiatives in 2004 designed to enhance Ottawa County residents' quality of life and increase the effectiveness of County government. The following list identifies the major initiative areas and the specific initiatives initiated or completed in each area.

## **Strategic Planning, Program Evaluations, and Land Use Planning**

### **STRATEGIC PLANNING AND PROGRAM EVALUATIONS**

The Planning and Grants Department continues to assist in the development of strategic outlines and evaluations for County programs. In 2004, the Department was involved in the evaluation stage of three Drug Courts, an In-jail and Post-jail Treatment Program, a Mental Health Diversion Program, Probation/Community Service Programs, and Juvenile Community Justice Programs. The evaluation process is used to measure processes, effectiveness, and the efficiency of County programs.

### **STANDARDIZED MASTER PLANS AND ZONING ORDINANCE TERMINOLOGY**

The Planning and Grants Department developed a proposal to standardize terminology and map colors for local unit of government master plans and zoning ordinances in Ottawa County. This standardization of zoning terminology and map colors will reduce confusion and improve efficiency in collaborative planning projects conducted within the County.

### **URBAN SMART GROWTH DEMONSTRATION PROJECT**

In 2004, the Ottawa County Planning Commission developed an Urban Smart Growth Demonstration Project that is designed to demonstrate that an urban community can enhance its vibrancy, livability, and aesthetic character through the implementation of innovative planning techniques and community programs. By applying these techniques and programs in such a manner that they promote urban excitement and attractiveness, the results can be a "win-win" solution for developers, builders, architects, residents, visitors, and the community. Cities have an opportunity to attract and retain not only new residents to the community, but also those residents that are considering moving to the more rural areas of the County.

To accomplish this, the City of Hudsonville was selected to partner with the County in implementing the Demonstration Project. The Project will involve a complete rewriting of a participating community's master plan and zoning ordinance, as well as programs to enhance "community image", and the implementation of digital rendering technology. The Project requires a 25% local match from the participating local community, as well as the community's willingness to explore and creatively apply innovative planning techniques. Some of the innovative components that are being proposed for this Project include: a Free Market District that is designed to stimulate creative development projects by relaxing some local regulations, such as architectural design, building façades, lighting, signage, and density; a Gateway Enhancement Program that is designed to enhance the aesthetics of gateway areas in the community; Hospitality Trainings that are designed to promote the providing of a greater level of service to local residents, businesses, and visitors; and the implementation of digital rendering technology into the community planning process.

## **Facilities and Related Improvements**

### **FILLMORE STREET JAIL**

In May 2004, the County Building Authority, Granger Construction (project construction manager) and Landmark Design (project architect) completed a 162-bed, \$7.5 million expansion of our Fillmore Street Jail. This project also included an addition/expansion to

the kitchen, laundry, medical area, Juvenile Detention intake and a Sentence Work Abatement Program garage. The expansion increased jail capacity from 302 to 464 beds and provided additional space to better support the expansion and 40-bed Juvenile Detention facility. Site improvements included expanded drives and parking south and east of the facility.

#### FAMILY INDEPENDENCE AGENCY BUILDING LOWER LEVEL BUILD-OUT

In August 2004, the Holland Circuit Court Probation offices and the Juvenile Court Diversion Services group moved into their newly renovated space in the FIA lower level. Approximately 13,000 square feet of unfinished space was renovated and canopies on the south and north building exterior were constructed as part of this project. The project was completed at a total cost of \$785,000.

#### HUDSONVILLE HUMAN SERVICE ADDITION

A 17,500 square foot addition to the like-sized Human Services facility in Hudsonville began in April 2004. The \$3.5 million project also includes extensive renovation to the existing facility. When complete in June 2005, the project will house branch offices for the District Court, the Sheriff, Public Health and Community Mental Health. The County Building Authority, Landmark Design (architect), and Triangle Construction (construction manager) have been directed by the County Board to manage/oversee construction of this project.

#### GRAND HAVEN HUMAN SERVICES BUILDING RENOVATION

In early December 2004, workers started construction of a small addition and renovation to the 10,000 Grand Haven Human Services Facility. When complete in May 2005, the \$450,000 project will house the Grand Haven area Community Mental Health offices.

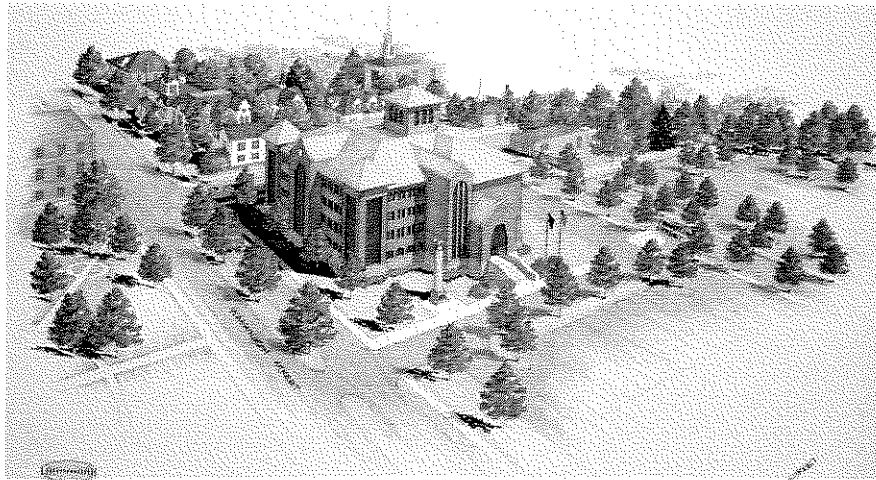
#### NEW HOLLAND DISTRICT COURT

The planning and approval process is complete and work is scheduled to begin on a new \$8 million District Court Facility in early 2005. The demolition of the old Holland Police facility was completed in January 2005 and construction of new 39,000 sq ft, facility adjacent to the new Holland Police facility will begin in February 2005. The project requires a close working relationship with Holland City as the County and City will be sharing a lobby, parking lot and a security corridor. The project is staged to allow the District Court to continue to occupy their existing building while the new facility is under construction. The County Building Authority, Erhardt Construction (Construction Manager) and Landmark Design (Architect) are charged with completing the project by the target completion date of June 2006.

#### GRAND HAVEN COUNTY BUILDING ADDITION/RENOVATION

The concept plan, showing a new 120,000 square foot Court House below received a mixed reaction when presented to the Board in August 2004. The plan is to work on project options through-out the early summer and have a recommendation for a Board work session by the end of July 2005.

Bids have been taken for the demolition of the Franklin Street Jail which will be necessary to accommodate this new facility. Demolition is expected to be complete by early May 2005. Budget estimate: \$22-24 million.



## **Technology**

### **TELECOMMUNICATIONS NETWORK**

In 2004, the County continued its implementation of a cooperative partnership with the Ottawa Area Intermediate School District to utilize fiber optics for its backbone network. This option will provide an “owned” solution rather than contracted services from a vendor. The fiber-based network will provide gigabit bandwidth for the County’s data. It will transport data, voice and video arraignment between its main sites, including the Fillmore Street Complex, James Street Campus, Holland 58<sup>th</sup> District Court, Grand Haven County Building, and the Hudsonville Human Services/58<sup>th</sup> District Court Building. It will also connect the Grand Haven Health and Mental Health facilities to the County network. Last-mile construction is nearly complete and related electronics are being acquired. The new network should be implemented before mid 2005.

### **CIRCUIT COURT E-FILINGS**

In June of 2004, the Circuit Court Records Division of the Clerk's office implemented a system to electronically file documents. Although the number and scale were small, it was the first of its kind in the State.

### **COUNTY CLERK WEBPAGE**

The Clerk's office developed an application process in which an individual may fill out information on-line and email the request directly to the office. Requested documentation can typically be mailed out the same day of the request.

### **EQUALIZER PROPERTY TAX SOFTWARE**

Ottawa County purchased BS&A Equalizer property tax software to replace the existing system developed in house over a number of years. The new electronic property tax system includes county tax, delinquent county tax, assessing, equalization and dog licensing along with hardware. The new system provided opportunity to improve communications with other county systems, local units of government and commercial



customers. The implementation of this project involved the offices of County Treasurer, Equalization, Property Description & Mapping and Management Information Services.

#### MANAGEMENT INFORMATION SERVICES (MIS)

The following initiatives were accomplished in 2004:

- Proposed & implemented new imaging system for Sheriff's Records.
- Upgraded online system for insurance enrollment in Human Resources.
- Completed Work on 728 project requests.
- Created conversion data files for Register of Deeds to outsource system.
- Proposed & implemented plan to convert from Lotus to Microsoft Office Suite.
- Installed 496 Microsoft Desktop application packages.  
Completed PC Hardware & Software Inventory, upgraded all PC operating systems.
- Developed specifications, purchased, and installed 3 Windows Servers.
- Presented 44 classroom training sessions attended by 213 employees.
- Proposed and implemented plan for Treasurer's property tax system conversion.
- Implemented Lotus Notes Remote Smart Upgrade Feature for Release 6.5.
- Completed Prosecutor Victims Rights system with 68 unique letters.
- Provided method to capture and transmit Data to MSP for SCAO Database.
- Updated County Web Page, expanded availability of on-line records & data.

#### BIOMASS ENERGY PROGRAM

With technical support from Michigan State University Extension services and a matching grant from the Ottawa County Board of Commissioners, a study was funded through the Michigan Biomass Energy Program to determine the feasibility of converting manure into energy products for a group of Ottawa County livestock and poultry producers. The study, contracted by a professional biomass consulting firm, Frazier Barnes and Associates, concluded that two combustion technologies; direct fire and gasification, were best suited to convert dry manure feed stocks (less than 35 % moisture) into energy.

#### COUNTYWIDE WIRELESS NETWORK

In July of 2004, the Ottawa County Planning Commission appointed a 17 member Wireless Task Force to study the feasibility of developing a privately-owned countywide wireless broadband network. The Task Force consists of representatives from private wireless providers, other broadband providers, local units of government, county government, local chambers of commerce and economic development groups, as well as interested citizens.

The Planning and Grants Department facilitated meetings with all local governmental units, Chambers of Commerce, and Economic Development organizations to explain the wireless broadband initiative and to garner support for the deployment of a countywide network. The Department anticipates the distribution of a Request-for-Proposal (RFP) to all interested wireless providers for the purpose of developing and deploying the network in Spring 2005. The first phase of deployment could begin as early as Summer 2005.

## Quality of Life

### GRAND RIVER GREENWAY

Efforts to preserve a green corridor along the Grand River continued to move forward in 2004 with three acquisitions on the Grand River. Approximately 49 acres were acquired in Allendale Township featuring 1,350 feet on the Grand River and significant frontage on Eastmanville Bayou. The \$517,500 purchase includes one house located in the floodplain and a Hazard Mitigation Grant from the Federal Emergency Management Agency (FEMA) contributed \$187,500 toward acquisition and removal of the structure. The Parks Commission envisions future small boat access to the Eastmanville Bayou and trails at the site. The newly acquired property is contiguous with the State's Bass River Recreation Area, which along with Ottawa County's Riverside Park, forms a continuous stretch of public Grand River shoreline over four miles in length.

Parks millage funds were used to expand the Ripps Bayou Open Space property in Polkton Township. Two separate acquisitions occurred to expand this property to 161 acres. The first was a 10.7 acre acquisition of forested riverfront on the east end of the site for \$42,600. The second was a 35 acre acquisition on the west end of the property for \$300,000 which includes 600 feet on the Grand River and approximately 550 feet on Deer Creek. The property also includes the western tip of Ripps Bayou, approximately 10 acres of upland and 25 acres of floodplain forest. The addition of this property gives Ottawa County sole ownership of Ripps Bayou, a long and narrow water feature extending nearly one mile and running parallel to the Grand River. This riparian area is rich in animal and plant diversity. Currently the only access to this property, which is popular with fisherman and kayakers, is from the Grand River.

In addition, progress was made on the proposed Connor Bayou acquisition, a 95 acre riverfront property in Robinson Township. A grant agreement with the Michigan Natural Resources Trust Fund was approved which will enable \$813,000 in state grant funds to assist with the \$1,640,000 land purchase. Together with a 47 acre property acquired for parkland in 2003, the new park will feature nearly a mile of Grand River shoreline. The acquisition should occur in early 2005. Preliminary plans call for a variety of resource based recreation opportunities including hiking, wildlife viewing, camping and boating.

### MACATAWA RIVER GREENWAY

Acquisition of a 27 acre parcel was completed along the Macatawa River to expand the Upper Macatawa Conservation Area site to 488 acres. However, the biggest accomplishment was the completion of a large scale wetland restoration project, the realization of a vision shared by many conservation minded partners.

The project accomplished four basic goals: 1) preserve a large block of park and open space land as a key greenway anchor property in this rapidly growing area, 2) improve water quality by restoring wetlands which can filter out phosphorous and other excess nutrients, 3) provide flood storage capability, and 4) increase wildlife habitat in this rapidly suburbanizing area.

Also important for the Upper Macatawa Conservation Area was approval of a grant through the Michigan Department of Environmental Quality's Clean Michigan Initiative to provide \$500,000 toward Phase II wetland restoration at the site. This grant, along

with matching funds provided through the county parks millage and private funds raised by the Macatawa Greenway Partnership, will fund additional wetland restoration work in the river floodplain. The work, targeted toward water quality improvement, will benefit other project goals as well. Actual wetland construction through this grant is targeted for 2006.

#### ROSY MOUND NATURAL AREA

A major \$1,136,000 improvement project was completed at the Rosy Mound Natural area and the park was opened to the public in June. The beautiful 164 acre site features 0.65 miles of Lake Michigan shoreline located in Grand Haven Township. A \$500,000 grant from the Michigan Natural Resources Trust Fund assisted with the project which included construction of a park access drive, parking lot, restrooms, beach access walks and stairways, interpretive signs, barrier free trail, dune overlooks and other park amenities.

#### PARK 12 MASTER PLAN

Work was completed on a master plan for the Park 12 properties - twelve county-owned park parcels located near Holland State Park. The Parks Commission and Board of Commissioners adopted the plan which will be presented to the courts for approval prior to implementation. The plan provides greater public access to the site's prime Lake Michigan and Lake Macatawa frontage and features boardwalks, fishing piers, historic interpretative displays, bike path improvements, dune stairways and many other recreation enhancements.

#### NORTH OTTAWA DUNES

The North Ottawa Dunes Acquisition Project, a proposed new 500 acre county dune park in northwest Ottawa County, was awarded \$3.9 million in state grant funds. Ottawa County Parks sponsored the grant proposal with assistance from the Land Conservancy of West Michigan and the Committee to Acquire North Ottawa Dunes. Pledges for nearly \$1.5 million in private funds were received toward the acquisition estimated to cost \$7.1 million. The Parks Commission will contribute \$1.85 million in park millage funds.

The North Ottawa Dunes property stretches nearly two miles and links Ottawa County's North Beach Park to P.J. Hoffmaster State Park, to Ferrysburg's Coast Guard Park to 100 acres of undeveloped Spring Lake Township park property. It is one of the largest wooded dune assemblages remaining in the central West Michigan area. The purchase will protect high quality dunes and allow for establishment of trails linking the four public park properties. The Parks Commission is hopeful of acquiring the property in the fall of 2005 assuming final negotiations with the landowner, Construction Aggregates Corporation (CAC), are successful. CAC agreed earlier this year to sell the property to the county parks for \$7 million, significantly below the appraised value of \$9.5 million.

#### MARNE BOG DONATION

The Parks Commission accepted donation of 40 acres in Wright Township for future park use. The donated land encompasses the majority of the Marne Bog, a unique and uncommon natural feature in Ottawa County. The site was identified as one of the county's best quality natural areas in the 1988 "Natural Areas Inventory of Ottawa County" conducted by the Michigan Natural Features Inventory. The actual bog is

approximately 25 acres in size. Bogs are wetland areas characterized by acidic soils which often support a diversity of unique plants.

#### ORAL HEALTH SERVICES/HEALTH PROMOTION

In a continued commitment to provide comprehensive Dental Services for low-income, uninsured children at schools, head start centers, migrant programs, centers for the multiply impaired, and program sites for dentally underserved children, a new “Miles of Smiles” mobile dental unit was unveiled in September, 2004. Over \$500,000 in funding allocations from State and local grantors was provided for this initiative. A network of over 100 volunteer dentists, hygienists and students assist in the dental service provisions and oral health education efforts.

#### IMMUNIZATIONS

The Immunization Program continued its collaborative efforts with Visiting Nurse Services (VNS) to hold flu clinics this past fall. Due to a national vaccine shortage and subsequent severe restrictions on eligibility, OCHD was faced with significant challenges in managing the number of individuals who were seeking vaccines. OCHD staff from all departments pitched in to help organize, inform, assist and conduct well organized and efficient clinics in conjunction with VNS.

#### MATERNAL & INFANT SUPPORT SERVICES

In 2004 this program completely reconfigured their data collection and outcome measurement systems. A new marketing campaign was introduced, including new brochures, information packets and promotional literature. The team visited over sixty local physicians and social services agencies as part of their efforts to increase awareness of this program. As a result, the number of referrals and clients has increased.

#### M-104 CORRIDOR/ACCESS MANAGEMENT STUDY

The M-104 Corridor study was completed in 2004. This was a collaborative effort that involved the participation of the Village of Spring Lake, Spring Lake Township, and Crockery Township, as well as the West Michigan Regional Planning Commission and Michigan Department of Transportation. The project was managed by the Planning and Grants Department, which hired the consulting firm of Mead Hunt to conduct the study. Study outcomes included specific recommendations for access management, capital improvements, transportation system management, and land use planning techniques/strategies.

### **Environment**

#### WEST NILE VIRUS MONITORING & SURVEILLANCE

Proactive measures continue to identify and monitor West Nile Virus threats. A new program, developed to more quickly and accurately identify whether dead birds may be infected with West Nile Virus was implemented (certain birds are the most likely to be the first to infect mosquitoes with the virus, who in turn infect humans). These “infected dead bird” identification measures allowed us to provide quick information turn-around to concerned citizens and to mobilize other resources if necessary.

## ROAD SALT MANAGEMENT PLAN

The Ottawa County Planning Commission appointed a Road Salt Commission to identify strategies that could be used to modify the Ottawa County Road Commission's winter road maintenance practices. The objective of this effort was to prevent further environmental impacts related to the application of road salt. To accomplish this, the Road Salt Commission developed a Road Salt Management Plan that provided several recommendations to the Road Commission.

The recommendations provided in the Plan include: designate an "Integrated Road Salt Manager" to develop and oversee the implementation of the Road Salt Management Plan; limit the application of salt to certain areas of the roadway such as at intersections and grades; increase plowing in order to reduce the need to use salt to clear roads; designate environmentally sensitive areas where a more aggressive approach to salt reduction will be implemented; develop a salt application training program for snow plow operators; and utilize technology to minimize and monitor the amount of salt application.

## OFFICE OF THE DRAIN COMMISSIONER

The following initiatives were accomplished in 2004:

- Clean Water Act, Phase II, Illicit Discharge Elimination Program (IDEP) field inspections.

Interns were hired, trained, and dispatched to the urbanized areas of Ottawa County to inspect the discharge points of Municipal Separate Storm Sewer Systems (MS4s) into Waters of the State. The purpose of these inspections was to locate and eliminate contaminants entering surface waters.

- Riley St. storm drainage system.

Culverts in the #15 & 17 and the #8 County Drains were extended and a storm sewer system was constructed in Riley St. between U S 31 and 136th Ave. to facilitate the extra drainage required for the portion of Riley St. widened to 5 lanes. This project was financed primarily with a CDBG Grant, with the cooperation of Holland Charter Township, the Ottawa County Road Commission, and the Office of the Drain Commissioner.

## Law Enforcement and Emergency Management

### AUTO THEFT PREVENTION AUTHORITY (ATPA)

The Sheriff's Office has been able to continue grant funding from the Michigan Insurance Commission for our Sheriff's Curbing Auto Theft (SCAT) Program. This successful program continues to receive funding for a full-time deputy whose focus is on local auto theft investigations, interaction with other regional law enforcement agencies on investigations, and public awareness as it relates to theft issues.

### AUTOMATED EXTERNAL DEFIBRILLATORS (AED's)

The Sheriff's Office continued to expand and add to the number of AED's that are placed in marked patrol units across the county since this initiative started in 2001. During 2004, 18 AED's were added. Federal Block Grant dollars have continued to be utilized in this project with the focus being on the ability to aid the general public in medical

response efforts. There are now a total of 75 units (at a cost of \$2,550 each) that have been placed in patrol units and county facilities since 2001.

#### AUTOMATED FINGERPRINT IDENTIFICATION SYSTEM (AFIS)

Installation and implementation of the AFIS has been completed. This statewide computerized fingerprint identification system ties the Sheriff's Office in with the State of Michigan fingerprint database. This system is used to compare unknown local latent fingerprints with the state's database to help in identifying those individuals responsible for criminal activity in our county. The Sheriff's Office is very pleased with this direct link into the state's system. Currently the office is 1 of 23 terminals in the state. 9 of the 23 are located within the State Police such as crime laboratory facilities and the rest are located at various law enforcement agencies around the state. The only other Sheriff's Office beside Ottawa County is the Oakland County Sheriff's Office.

#### RECORDS MANAGEMENT IMAGING

Records Management Imaging has been expanded into the area of accident records and officer Daily Activity Report retention.

#### SOBRIETY/DRUG TREATMENT COURT

The 58<sup>th</sup> District Court Sobriety/Drug Treatment Court was the first drug treatment court in Ottawa County. The program started in May to focus on misdemeanor offenders who have substance abuse issues. The drug treatment court program has taken in approximately 25 clients, 9 of which have had no court sanctions.

The District Court opened a second court group in October. This drug treatment court program served approximately 25 clients in 2004. Additionally, two (2) drug treatment court programs started through the Ottawa County 20<sup>th</sup> Circuit Court. The Ottawa County Juvenile Drug Treatment Court Program started up in October and has taken in 7 clients. The 20<sup>th</sup> Circuit Adult Drug Treatment Court Program began in late January 2005.

#### SOLUTIONS AREA PLANNER (SAP)

The Sheriff's Office was able to expand its resources within Emergency Management with the addition of a Solutions Area Planner position. This position has allowed the Division to do more necessary planning and coordination of needed emergency management training and initiatives within the Sheriff's Office and local disciplines. This position has also been very involved with the various funding and tracking of Homeland Security dollars.

#### EMERGENCY ACTION GUIDELINES (EAG)

The Emergency Management division of the Sheriff's office organized and developed Ottawa County's Emergency Action Guidelines for the various disciplines and local units of government that are involved in a countywide emergency response plan. The EAG is a formalized document that identifies areas of responsibilities and offers a checklist type system for the various disciplines that are involved in an emergency activation situation.

#### HOMELAND SECURITY

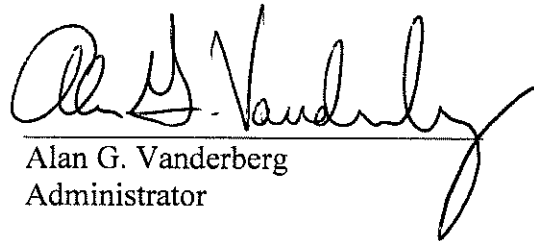
The Sheriff's Office is managing a 1.2 million dollar Federal Homeland Security Grant that was received by Ottawa County. This grant has had a significant impact for law

enforcement, fire, and the emergency response network in the county. These grant dollars are being utilized for new equipment, equipment upgrades, and a variety of training initiatives for the various disciplines in the county.

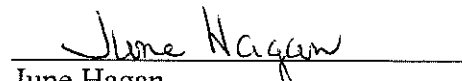
## **ACKNOWLEDGMENT**

The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire staff of the Fiscal Services Department. We would like to express our gratitude to all members of the Ottawa County Board of Commissioners for their interest and support in planning and conducting financial operations of the County of Ottawa in a responsible and progressive manner.

Sincerely,



Alan G. Vanderberg  
Administrator



June Hagan  
Fiscal Services Director

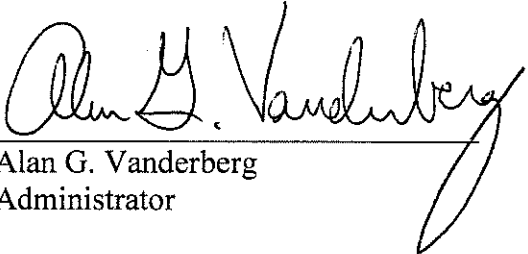


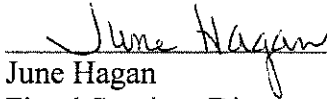
## **STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS**

Responsibility for the integrity of the financial data presented rests with the County. We believe the data to be accurate in all material aspects. These financial statements are prepared in accordance with Generally Accepted Accounting Principles applicable to county government and State statutes.

The County maintains a system of internal controls to provide reasonable assurance that the books and records reflect authorized transactions of the County.

Rehmann Robson, independent certified public accountants, have audited the accompanying financial statements, and the supplemental financial information has been subjected to the auditing procedures applied in their audit. Rehmann Robson's report is included in the financial section of this report.

  
\_\_\_\_\_  
Alan G. Vanderberg  
Administrator

  
\_\_\_\_\_  
June Hagan  
Fiscal Services Director

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of Ottawa,  
Michigan

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
December 31, 2003

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Nancy L. Ziehl*

President

*Jeffrey R. Enen*

Executive Director

## **CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING**

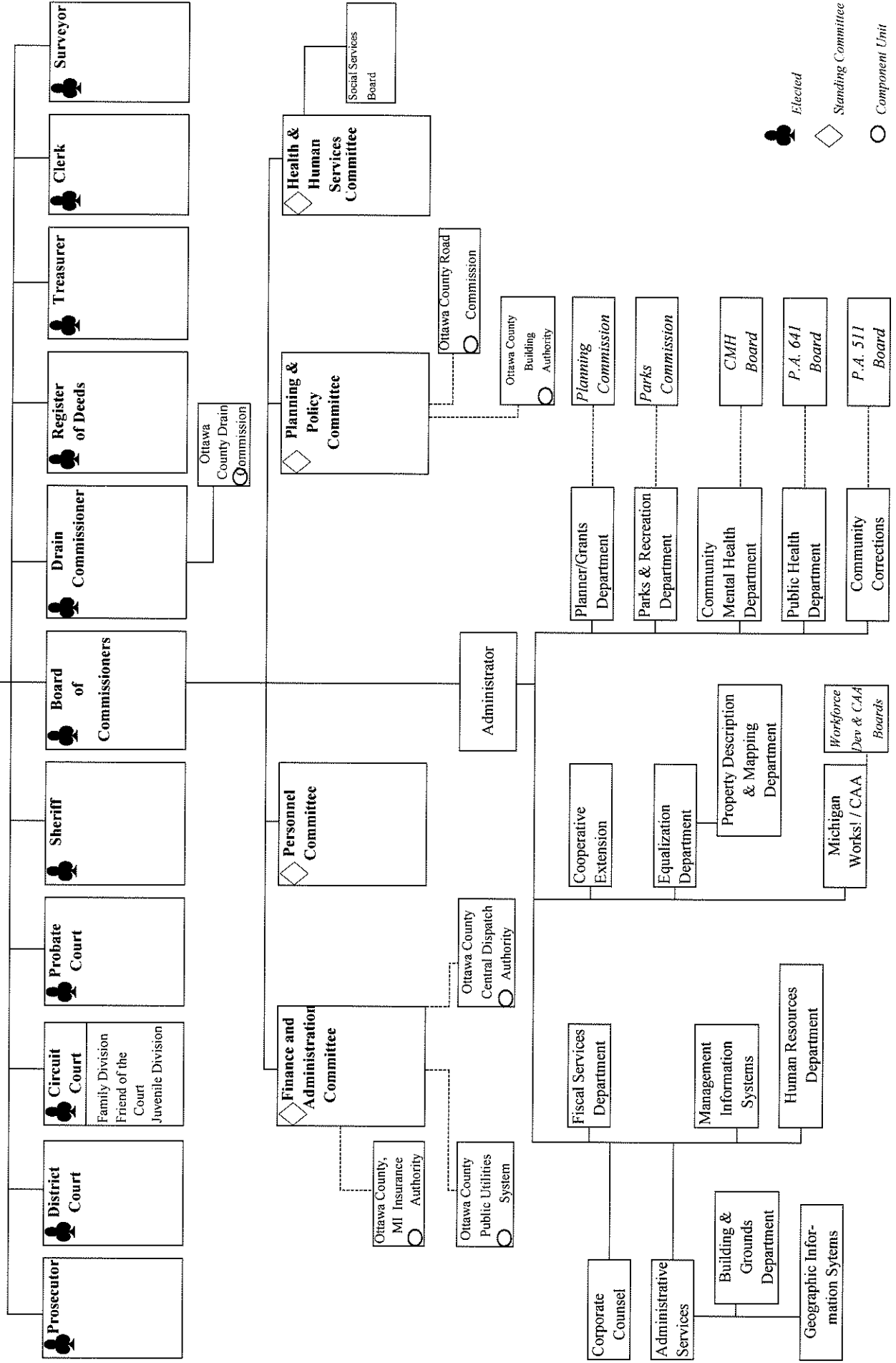
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting (Certificate of Achievement) to Ottawa County for its comprehensive annual financial report for the fiscal year ended December 31, 2003. The County has received this prestigious award for twenty one consecutive years.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report (CAFR), whose contents conform to program standards. Such reports must satisfy both Generally Accepted Accounting Principles and applicable legal requirements.

A Certificate of Achievement is granted for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA to determine its eligibility for a certificate.

# 2004 ORGANIZATIONAL CHART

## CITIZENS OF OTTAWA COUNTY



Elected  
 Standing Committee  
 Component Unit



# REHMANN ROBSON

*Certified Public Accountants*

A member of THE REHMANN GROUP

An Independent Member of Baker Tilly International

## INDEPENDENT AUDITORS' REPORT

May 13, 2005

Board of Commissioners  
County of Ottawa  
West Olive, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Ottawa, Michigan, as of and for the year ended December 31, 2004, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the County of Ottawa, Michigan. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Ottawa, Michigan as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for each major fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 13, 2005 on our consideration of the County of Ottawa's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3-18 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Ottawa's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the County of Ottawa's basic financial statements. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly presented, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

A handwritten signature in cursive script, reading "Lehmann Johnson".

## Management's Discussion and Analysis

As management of the *County of Ottawa*, we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended December 31, 2004. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-xxii of this report.

### Financial Highlights

- The assets of the County exceeded its liabilities at the close of the most recent fiscal year by \$166,059,698 (*net assets*). Of this amount, \$72,462,278 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$9,736,704.
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$64,841,762, an increase of \$5,829,131 in comparison with the prior year. Approximately sixty eight percent of this total amount, or \$44,280,107, is *available for spending* at the government's discretion (*unreserved and undesignated fund balance*).
- At the end of the current fiscal year, unreserved and undesignated fund balance for the General Fund was \$9,481,618 or eighteen percent of total General Fund expenditures (including transfers).
- The County's total bonded debt (including component units) decreased by \$3,317,000 during the current fiscal year. No new debt was issued for the primary government, but \$6.1 million of debt was issued by Ottawa County Public Utilities, a component unit, in 2004.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components:

1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues

and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of Ottawa County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include legislative, judicial, general government, public safety, public works, health and welfare, community and economic development, and culture and recreation. The business-type activities include the administration of the delinquent property tax system.

The government-wide financial statements include not only the County itself (known as the *primary government*), but also four legally separate entities: Ottawa County Road Commission, Ottawa County Central Dispatch Authority (911), Ottawa County Public Utilities, and the Ottawa County Drain Commissioner. Financial information for the *component units* are reported separately from the financial information presented for the primary government itself. The Ottawa County Building Authority and the Ottawa County, Michigan Insurance Authority, although also legally separate, function for all practical purposes as departments of the County, and therefore have been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 19 - 21 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The County maintains 45 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, parks and recreation, health, mental health, public improvement and revenue sharing reserve fund, each of which is considered to be a major fund. Data from the other 39 governmental funds are combined into a single, aggregated presentation. Individual



fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The County adopts an annual appropriated budget for its general, special revenue, debt service, capital projects and permanent funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 22-31 of this report.

***Proprietary funds.*** The County maintains two types of proprietary funds. Enterprise funds report the same functions as business-type activities in the government-wide financial statements. The County uses an enterprise fund to account for the Delinquent Tax Revolving Fund (5160).

The County maintains *internal service funds* to account for and allocate costs internally among the County's various functions. The County uses 12 internal service funds to account for the following functions: management information services, duplicating, telecommunications, equipment pool, and protected self-funded insurances (both liability and employee fringe benefit insurances to employees). Because these services predominantly benefit governmental functions, they have been included within *governmental activities* in the government-wide financial statements.

The basic proprietary fund financial statements can be found on pages 32-35 of this report.

***Fiduciary funds.*** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 36 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 37-85 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *supplementary information*. This is limited to combining statements and schedules and statistical information. Combining and individual fund statements and schedules can be found on pages 92-162 of this report, and the statistical information can be found on pages 163-184.

## **Government-wide Financial Analysis**

### Statement of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the County of Ottawa, assets exceeded liabilities by \$166,059,698 at the close of the most recent fiscal year.

## County of Ottawa's Net Assets

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Current and other assets	\$138,147,071	\$138,617,178	\$25,250,135	\$26,598,691	\$163,397,206	\$165,215,869
Capital assets	79,537,052	73,127,004	6,873	8,690	79,543,925	73,135,694
Total assets	217,684,123	211,744,182	25,257,008	26,607,381	242,941,131	238,351,563
Long-term liabilities outstanding	21,174,977	24,598,506			21,174,977	24,598,506
Other liabilities	55,676,886	59,529,951	29,570	29,380	55,706,456	59,559,331
Total liabilities	76,851,863	84,128,457	29,570	29,380	76,881,433	84,157,837
Net assets:						
Invested in capital assets, net of related debt	62,513,315	54,652,223	6,873	8,690	62,520,188	54,660,913
Restricted	31,077,232	26,913,213			31,077,232	26,913,213
Unrestricted	47,241,713	46,050,289	25,220,565	26,569,311	72,462,278	72,619,600
<b>Total net assets</b>	<b>\$140,832,260</b>	<b>\$127,615,725</b>	<b>\$25,227,438</b>	<b>\$26,578,001</b>	<b>\$166,059,698</b>	<b>\$154,193,726</b>

By far, the largest portion of the County's net assets (71 percent) consists of cash and investments. This high level of cash and investments is enviable, as most entities report capital assets as their largest asset. However, the Road Commission and Public Utilities are component units of the County, so the amount the County (the primary government) reports for infrastructure is zero.

Capital assets, representing 48 percent of total net assets, includes land, buildings, vehicles and equipment less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt should be provided from other sources, since the capital assets themselves cannot readily be used to liquidate these liabilities. Capital assets increased in 2004 mostly due to the remodeling of the Hudsonville facility and the expansion of the jail.

Taxes receivable, at \$34.3 million, represents a significant asset as well. Of the amount the County levied in December, two thirds was for the following year's operations. Consequently, the County reports \$25.6 million for these taxes in the unearned revenue liability. The remaining one third was established in a new fund, the Revenue Sharing Reserve fund. New State of Michigan legislation requires counties to put one third of the tax levy in this fund for the next three years as the county operational levy is gradually moved up from December to July. The money will be drawn upon to cover the loss of State Revenue Sharing which was eliminated September 30, 2004. In the prior year, the entire December levy was deferred, so the liability is lower in 2004.

In addition to the net assets invested in capital assets, net of debt, certain other restrictions on the use of net assets apply due primarily to legal guidelines. These restricted net assets total \$31,077,232. The 2004 balance is higher due to the establishment of the Revenue Sharing Reserve fund which is restricted by State law. The remaining balance of *unrestricted net assets* (\$72,462,278 or 44 percent) may be used to meet the government's ongoing obligations to citizens and creditors.

## Statement of Activities

### **County of Ottawa's Changes in Net Assets**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
<b>Revenues</b>						
Program revenue:						
Charges for services	\$21,337,288	\$21,667,142	\$936,481	\$1,004,489	\$22,273,769	\$22,671,631
Operating grants and contributions	42,742,884	38,146,000			42,742,884	38,146,000
Capital grants and contributions	464,436	944,647			464,436	944,647
General revenues:						
Property taxes	41,606,745	30,477,703			41,606,745	30,477,703
Grants and contributions not restricted to specific programs	1,448,461	4,236,699			1,448,461	4,236,699
Investment earnings	2,440,814	3,622,427	401,166	547,099	2,841,980	4,169,526
Other	416,890	6,407,217			416,890	6,407,217
<b>Total revenues</b>	<b>110,457,518</b>	<b>105,501,835</b>	<b>1,337,647</b>	<b>1,551,588</b>	<b>111,795,165</b>	<b>107,053,423</b>
<b>Expenses:</b>						
Legislative	469,994	485,174			469,994	485,174
Judicial	11,736,487	11,922,865			11,736,487	11,922,865
General government	13,628,246	11,665,978			13,628,246	11,665,978
Public safety	21,832,984	21,912,133			21,832,984	21,912,133
Public works	1,044,377	742,711			1,044,377	742,711
Health and welfare	48,066,300	45,357,514			48,066,300	45,357,514
Community and economic Development	848,964	558,852			848,964	558,852
Culture and recreation	1,658,024	1,326,197			1,658,024	1,326,197
Interest on long-term debt	890,774	958,283			890,774	958,283
Business-type activities			1,888,210	1,892,364	1,888,210	1,892,364
<b>Total expenses</b>	<b>100,176,150</b>	<b>94,929,707</b>	<b>1,888,210</b>	<b>1,892,364</b>	<b>102,064,360</b>	<b>96,822,071</b>
Increase in net assets before transfers to other funds and special items	10,281,368	10,572,128	(550,563)	(340,776)	9,730,805	10,231,352
Transfers	805,899	746,305	(800,000)	(575,000)	5,899	171,305
Special items		(481,329)				(481,329)
Increase (decrease) in net assets	11,087,267	10,837,104	(1,350,563)	(915,776)	9,736,704	9,921,328
Net assets, beginning of year, as restated	129,744,993	116,778,621	26,578,001	27,493,777	156,322,994	144,272,398
<b>Net assets, end of year</b>	<b>\$140,832,260</b>	<b>\$127,615,725</b>	<b>\$25,227,438</b>	<b>\$26,578,001</b>	<b>\$166,059,698</b>	<b>\$154,193,726</b>

### Governmental Activities

The preceding table shows that the primary government's net assets increased by \$9.7 million during 2004. Changes occurred in several funds:

<u>Fund</u>	<u>Effect on Net Assets</u>
General Fund (1010)	\$ 2,371,000
Parks and Recreation (2081)	2,350,000
Revenue Sharing Reserve (2855)	6,760,000
Child Care – Circuit Court (2920)	867,000
Delinquent Taxes (5160)	( 1,351,000)
Internal Service Funds	( 1,858,000)

Although several revenues in the General Fund were underestimated, most notably the Register of Deeds at \$474,000, these favorable variances were essentially eliminated by the unanticipated drop in the fair value of investments of \$728,000. The reason for the positive fiscal results rests with the

lower than anticipated expenditures. Specifically, personnel services expenses were lower than anticipated by \$702,000 due to vacancies and employees opting out of health insurance coverage. In addition, the County received \$450,000 in Friend of the Court incentive payments that were unanticipated, so the transfer to the fund was reduced. Planned expenditures with contractors were lower than anticipated, especially in the Survey and Remonumentation program and Geographic Information Systems (\$276,000). The remainder of the increase is due to lower than anticipated expenditures across several departments.

The Parks and Recreation fund (2081) has a ten-year levy for land acquisition and park development (capital costs). Capital expenditures of the Parks and Recreation fund are subtracted at the government wide level. Consequently, at the government wide level, the park activities increased net assets (net of depreciation and debt principal) by \$2.35 million.

The Revenue Sharing Reserve fund (2855) increased net assets by \$6.7 million in 2004. The fund's net assets will continue to increase for the next two years as one third of the millage levy will be deposited in this fund each year. After three years, the balance will decrease each year as the County draws out the amount it would have received in State Revenue Sharing payments which were discontinued on September 30, 2004.

The Child Care fund increased net assets by \$867,000 due to lower than anticipated costs for State institutional care. As the County continues to move more juveniles back in the County, these costs will continue to decrease. However, it is difficult to predict the timing of the moves, so the County budgets and plans conservatively.

In the Delinquent Tax Revolving fund, expenses exceeded revenue by \$1.35 million. Decreases in net assets are anticipated until 2012. Expenses in the Delinquent Tax Revolving fund include rent payments based on the debt service payments of three bond issues. One of these issues expires in 2012. After 2012, expenditures are expected to decrease and the fund equity will increase.

The financial results of the internal service funds also decreased net assets. For all internal service funds combined, net assets decreased by \$1.86 million. This was primarily due to increased health claims and transfers out of the funds. Information on fluctuations between 2004 and 2003 by category follows.

## **Revenues:**

### Program charges for services

Program charges for services decreased slightly in 2004. Revenues in the Register of Deeds office (in the General Fund 1010) fell by nearly \$1 million from 2003. 2003 was a record year for revenue in the Register of Deeds office. As interest rates began to climb, this revenue fell significantly. However, an even larger decrease had been anticipated.

Conversely, District Court civil court fees and ordinance fines, also in the General Fund (1010), increased by approximately \$140,000 due to increased case filings. Several other departments in the General fund also had increases in charges for services revenue, albeit at a more modest level. There are several programs that receive revenue based on expenditures. Since expenditures normally rise somewhat, the revenue also rises.

Program Charges for Services increased by \$134,000 in the COPS Universal fund (2610) as a result of the end of federal grants. Municipalities for which the County provides policing services opted to cover the cost of the programs upon expiration of the grant dollars.

In addition, revenue in the Compensated Absences fund (2980) increased by \$190,000 to reflect funding of the liability. Last, revenue in the EMT Holland-Park (2640) and EMT Georgetown (2650) increased by a combined \$105,000 due to the retroactive salary payments necessitated by a labor contract settlement. The remaining increases are spread across several funds.

Program operating grants and contributions:

Program grants increased by \$4.6 million or 12.1%. Listed below are the main areas of fluctuation:

<u>Fund</u>	<u>Increase (decrease) in Program Operating Grants</u>
Mental Health (2220)	\$2,500,000
Child Care – Circuit Court (2920)	\$950,000
Friend of the Court (2160)	\$570,000
Workforce Investment Act Funds (2740 – 2749)	\$494,000
General Fund (1010)	\$311,000

Grant revenue in the Mental Health fund increased by \$1.5 million due to increases in Medicaid funding. In addition, Mental Health received higher allocations from the State of Michigan including new dollars for adult benefit waiver services. The dollars allocated by the State of Michigan increased by nearly \$1 million.

Revenue in the Child Care – Circuit Court fund increased by \$950,000 due mostly to new programming. The State pays 50% of all eligible costs. Friend of the Court (2160) incentive revenue increased by \$570,000 due to timing differences and a change in the funding formula. In addition, funding for Workforce Investment Act (WIA) programs increased by \$494,000. The increase is due to new grants for trade adjustment assistance, employment services, and housing as well as higher allocations for existing grants.

In the General Fund, operating grants increased by \$311,000. Of this amount, \$200,000 is the result of new homeland security grants. In addition, State Court funding increased \$76,000 due to the availability of additional State dollars.

Program capital grants and contributions

These revenues vary depending on the number and scope of capital improvement projects, mainly in the Parks and Recreation fund (2081). In 2003, Parks and Recreation received capital grants for three park improvement projects totaling over \$940,000. The projects in 2004 are of smaller scope.

Property taxes

Taxes increased over \$11 million or 36.5%. This is due to a change in the property tax levy system made by the State of Michigan. The County operating levy will be moved to July over a period of three years. Beginning with the December 2004 levy, one third of the operating levy is set up in a separate revenue sharing fund to cover the temporary loss of State Revenue Sharing dollars. Consequently, revenue from the December levy which had previously been deferred is now recognized. In addition, increases in taxable value from new construction and the expiration of

business tax exemptions for companies located in Ottawa County increased tax revenue by \$1.8 million.

#### Grants and contributions not restricted to specific programs

Grants and contributions revenue decreased due to the end of State Revenue Sharing effective 10/1/04. The revenue was made up from the Revenue Sharing Reserve fund (2855). Please see Property Taxes above for more information about the new property tax system.

#### Investment earnings

The fair value of several of the County's investments decreased significantly in 2004 due to a weak financial market.

#### Other Revenue

2003 other revenue represents primarily the value of land donated to the County by the State of Michigan. This was a one time donation. In 2004, the County received a land donation valued at \$100,000, and received \$112,000 for a land sale.

### **Expenses:**

#### General government

General government expenses increased by nearly \$2 million or 16.8%. Depreciation expense increased by \$633,000. In addition, general government expenses in the General Fund (1010) increased by \$544,000 due mostly to the aerial photography project, election year expenses, and the conversion costs for new property tax software. Expenses in the Compensated Absences fund (2980) increased by \$218,000 due to the retirement of several employees with large sick bank balances that were paid off in 2004. Last, expenditures in the Register of Deeds Technology fund (2560) increased by \$403,000. The fund was opened in October 2003, so 2004 represents a full year of expenditures. Revenue from the fund is used to image and index old Register of Deeds records. The remaining increase in general government expenses is spread across several funds.

#### Public safety

Public safety expenses essentially stayed the same in total. However, those totals are somewhat misleading. During 2004, the County settled its labor contract with the Police Officers Association of Michigan and the Command Officers Association of Michigan (non-312 eligible) and paid \$576,000 in retroactive salary adjustments to officers in all funds. In the General Fund (1010), expenditures increased by \$1.4 million. In addition to the retroactive salary adjustments, the County also expended \$250,000 in new Homeland Security grants. The remaining General Fund increase is mostly due to increasing health insurance costs and general inflationary increase.

These increases are not apparent at the government wide level due to the change in operating activity of the internal services funds. In 2003, the internal service funds sustained a \$2.5 million loss; in 2004, a \$340,000 gain. Specifically, public safety functions reflected \$965,000 of the loss of all internal services fund in 2003, while 2004 reflects \$184,000 of the operating income. In particular, the Ottawa County, Michigan Insurance Authority sustained a \$1.6 million loss in 2003 versus a \$524,000 gain in 2004. A larger percentage of the Authority's operating activity is allocated to public safety functions based on the costs originally allocated to them.

### Public works

These expenses can vary significantly by year. In 2004, the liability for the SouthWest Ottawa Landfill increased by \$329,000, resulting in higher public works expenses.

### Health and welfare

Health and Welfare programs increased by \$2.7 million or 6.0% in 2004. Since these programs employ the greatest number of staff, personnel costs, including fringe benefits, increased by \$2.04 million. Most of this increase is due to cost of living and health insurance increases. However, 2004 expenditures include \$180,000 in retroactive salary payments from settled contract negotiations with Group T and the Michigan Nurses Association.

Mental Health (2220) expenditures increased by \$2.1 million, mostly for personnel costs and client care expenditures. The County provided 476 more days of residential care to its clients which cost approximately \$1 million. Medicaid pays for the majority of these costs.

In the Child Care fund (2920), expenditures increased \$326,000. The Child Care fund continues to strive for zero placements in State facilities, to allow clients to live in their own communities. Consequently, expenditures for State institutions decreased by \$721,000. At the same time, expenditures for private institutions increased by \$463,000 and expenditures for the new juvenile community justice programs increased by \$302,000. Since the County receives a 50% reimbursement for private institutions and other diversion programs, this strategy has helped the County's bottom line.

Workforce Investment Act Grant Programs funds (2740-2749) increased \$422,000 for the reasons discussed under intergovernmental revenue.

As with public safety expenditures, health and welfare expenditures benefited from the operating results of the internal services funds. Specifically, health and welfare functions reflected approximately \$900,000 of the operating loss in 2003, while 2004 reflects \$141,000 of the operating income.

### Community and economic development

In 2004, the County received a \$331,000 pass thru grant for a project on Riley Street in Holland Township. This is a one-time grant.

### Culture and recreation

Culture and recreation expenses are \$331,000 higher in 2004. The increase is spread across several areas, but personnel and depreciation had the largest increases (\$140,000 in total).

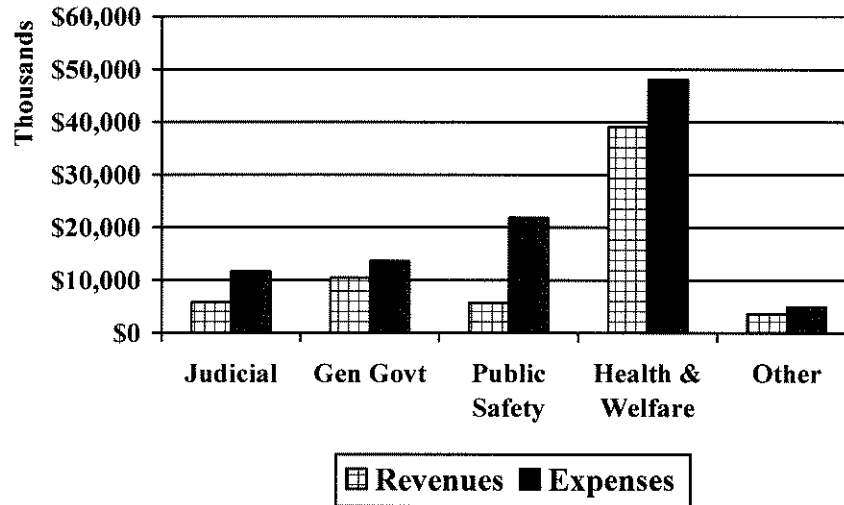
### Interest on long-term debt

Since principal balances have decreased, interest has also decreased.

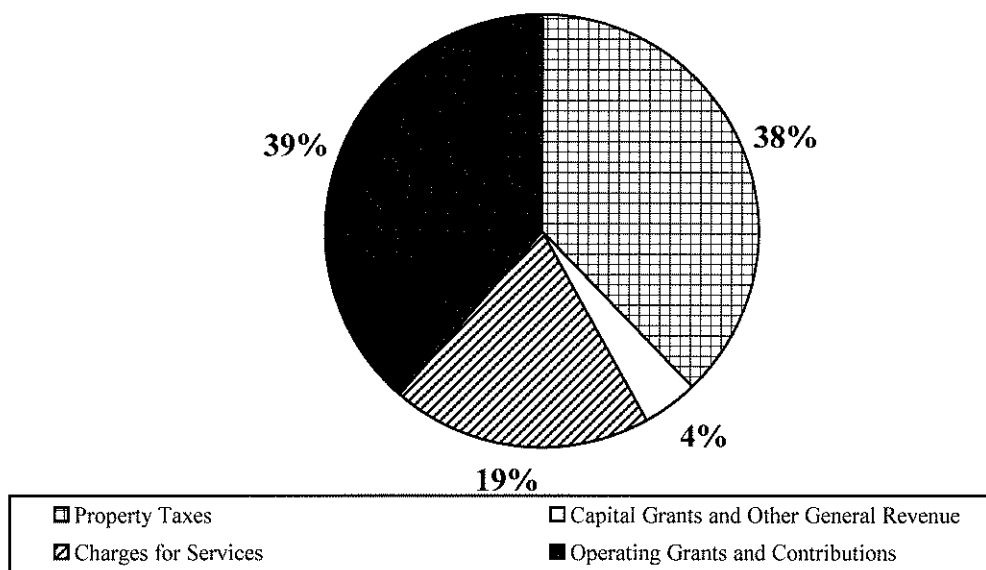
### Special items

The special items category represents the transfer of equity to the West Michigan Enforcement Team (WEMET) organization in connection with becoming a separate entity in 2003. WEMET is no longer a department operated under the County but does contract with the County for financial services.

**Program Revenues and Expenses - Governmental Activities**



**Revenues by Source - Governmental Activities**



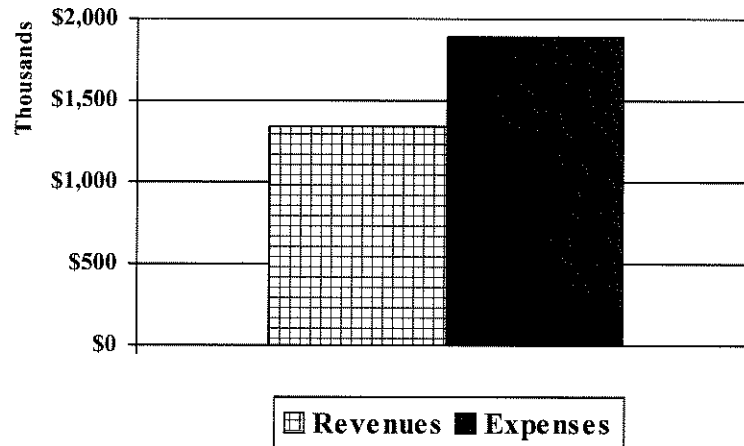
### Business-type Activities

Business-type activities decreased the County's net assets by \$1,350,563. The decrease was anticipated due to planned payments to the Ottawa County Building Authority to cover debt service payments. Investment earnings also fell because the fair value of several of the County's

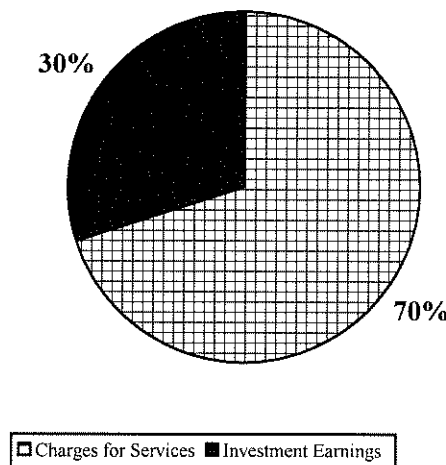


investments fell due to the effect of increasing interest rates on fixed income securities. On the expenditure side, the County increased the transfer to the General Fund by \$225,000. This was a one time increase, and the 2005 amount has been decreased.

**Program Revenues and Expenses - Business-type Activities**



**Revenue by Source - Business-type Activities**



### **Financial Analysis of the Government's Funds**

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

*Governmental funds.* The focus of the County's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the County's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$64,841,762, an increase of \$5.8 million in comparison with the prior year. Approximately 86% percent of this total amount (\$55.5 million) constitutes *unreserved fund*

*balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed 1) due to legal restrictions (\$8,156,206), 2) to pay debt service (\$522,939), 3) to generate income to pay for perpetual cemetery care (\$5,770), 4) to provide a long term advance to component units and other funds (\$325,000) or 5) for other restricted purposes (\$283,673).

The General Fund (1010) is the chief operating fund of the County. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$15,567,791, while total fund balance was \$17,302,305. As a measure of the General Fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 30 percent of total General Fund expenditures.

The fund balance of the County's General Fund increased by \$2.7 million during the current fiscal year. There were a number of items that added to the General Fund's fund balance, but virtually all of the increase can be attributed to lower than anticipated expenditures. Personnel vacancies and employees opting out of health insurance were the largest areas of under expenditure. The other main area is in the transfer out to the Friend of the Court fund (2160). The Friend of the court received \$471,000 more in incentive payments than was anticipated at budget time. The remainder of the fund balance increase is spread across several departments.

The Parks and Recreation fund (2081) has a total fund balance of \$7.2 million, which is an increase of \$773,000. The Parks and Recreation department is undergoing a period of growth and development with the help of a .33 mill approved for park acquisition and development. Accordingly, the fund balance of the fund will vary from year to year with land acquisitions and capital improvement projects.

The fund balance of the Health fund (2210) increased by \$477,000. A Medicaid cost settlement of \$208,000 had not been anticipated. In addition, expenditures were significantly lower than budgeted.

The fund balance of the Mental Health fund (2220) decreased \$232,000. The results of activities can vary substantially by year because Mental Health is under a managed care system. However, 2004 expenditures include \$201,000 for new software and \$57,000 for office furniture (both one time expenditures).

The fund balance of the Public Improvement fund (2450) decreased \$5.9 million due to construction costs associated with the renovation of the Hudsonville facility, the completion of the additional jail pod, and preliminary architectural costs for the construction of a new Holland District Court facility.

As anticipated, the fund balance of the new Revenue Sharing Reserve fund (2855) came in at \$6.7 million. The fund balance will grow for the next two years, and then gradually decrease until depleted. Upon depletion, estimated in 2011, the State is legally obligated to reinstate the State revenue sharing dollars that were eliminated.

### **General Fund Budgetary Highlights**

The original revenue and expenditure budgets for the General Fund (1010) were \$53,831,914 and \$53,961,410 respectively. The amended revenue budget was \$56,965,026, and the amended expenditure budget was \$54,904,376.

The largest amendment to General Fund revenue was to reflect the elimination of State Revenue Sharing of \$2.6 million. This reduction in intergovernmental revenue was accompanied by a corresponding increase in transfers in to reflect the transfer coming from the Revenue Sharing Reserve fund (2855). These adjustments had a net effect of zero on the total revenue budget. However, the County was awarded \$1.7 million in Homeland Security grants. In addition, the County also took advantage of \$218,000 in other federal grant opportunities including a juvenile accountability block grant, the state criminal alien apprehension program, and drug court funding. Most of these grants cross fiscal years, and only a small portion of them was expended in 2004. Consequently, intergovernmental revenue and judicial and public safety expenditures are under budget.

The budget for interest on investments was increased by \$272,000, but the gain or loss on the fair value of investments budget was decreased by \$200,000. The County sustained a fair value loss of \$728,000, so the account is under budget.

In addition, Register of Deeds revenue was adjusted upward by \$414,000. Although actual revenue was lower than in 2003 (a record year), the revenue still far exceeded original expectations. Property Taxes also exceeded expectations. The budget was increased by \$322,000 because the planned utilization of tax increment financing districts, downtown development authorities and various other tax adjustments proved to be overly aggressive. The increase in the District Court's civil caseload translated into an additional \$151,000 in court fees. Last, the expansion of the Sentence Work Abatement Program (SWAP) and newly authorized inmate booking fees resulted in upward adjustments of \$145,000.

On the expenditures side, accounts were increased by \$1.8 million in connection with the new Homeland Security and other federal grants. In addition, higher required contribution rates to the Municipal Employees Retirement System necessitated an upward adjustment of \$231,000. However, health insurance budgets were reduced by \$222,000 to reflect position vacancies and employees opting out of coverage. The Juvenile Court budget was reduced by \$188,000 to take advantage of funding opportunities in the Child Care fund (2920). By adjusting activities, the employees and programs became eligible for the 50% State funding, so these expenditures previously paid 100% by the General Fund are now paid out of the Child Care fund to receive the 50% funding.

In addition, the budget for contingencies was reduced by \$179,000 at year end to reflect unused dollars. The supplies budget in the Jail was reduced by \$96,000, mostly for lower than anticipated food costs.

The original budget amount for Other expenditures included \$1.06 million for contingency. As contingency is used, its budget is reduced, but other expenditure budgets are increased. The remaining expenditure budget decreases are spread across several departments.

### **Capital Asset and Debt Administration**

**Capital assets.** The County's investment in capital assets for its governmental and business type activities as of December 31, 2004, amounted to \$79,543,925 (net of accumulated depreciation). This investment in capital assets includes land and land improvements, buildings and improvements, machinery and equipment, and park facilities. The total increase in the County's investment in capital assets for the current fiscal year is 8.8%.

Major capital asset events during the current fiscal year included the following:

- Over \$1 million was spent on various land acquisitions for the Park system. The County has a dedicated millage for park land acquisition and development. In addition, the county spent \$921,000 on various park improvement projects. The largest of these projects is the Upper Macatawa restoration project at \$629,000.
- Construction was completed on an additional jail pod (\$2.4 million).
- The Hudsonville facility underwent significant remodeling at a cost of \$2.6 million.
- The lower level of the Family Independence Agency was finished to house the Juvenile Treatment program and adult probation (\$785,000)
- Architectural costs were incurred on the Holland District Court facility (\$836,000).
- Purchased 15 vehicles for various departments and a motor home for a mobile dental program (\$456,000).

**County of Ottawa's Capital Assets**  
(net of depreciation)

	<u>2004</u>
Land	\$23,216,877
Land improvements	6,781,572
Buildings and improvements	42,018,541
Construction in progress	3,590,383
Machinery and equipment	3,936,552
	<u>\$79,543,925</u>

Additional information on the County's capital assets can be found in note III.D on pages 59-62 of this report.

**Long-term debt.** At the end of the current fiscal year, the County had total general obligation bonds outstanding of \$95,194,536. Of this amount, \$92,044,536 of the bonds are backed by the County's full faith and credit.

**County of Ottawa's Outstanding Debt**  
General Obligation Bonds

	<u>Primary Government</u>	<u>Component Units</u>	<u>Total</u>
General obligation bonds	\$12,945,000	\$47,519,536	\$60,464,536
General obligation bonds – Refunding	3,850,000	30,880,000	34,730,000
<b>Total</b>	<u><b>\$16,795,000</b></u>	<u><b>\$78,399,536</b></u>	<u><b>\$95,194,536</b></u>

The County's total general obligation bonded debt decreased by \$3,317,000 (3.4 percent) during the current fiscal year. This amount is net of new issuances from the Ottawa County Public Utilities System, a component unit, totaling \$6.1 million.

In addition, the County has two land contracts for which it has pledged its full faith and credit. The balance on the land contracts decreased by \$56,044, and no new land contracts were issued.

The Ottawa County Drain Commissioner has various notes payable for which the benefiting drainage district has pledged its full faith and credit. The balance on the notes payables increased by \$45,000.

The County has a "AAA" rating from Fitch on general obligation limited tax bonds. Moody's bond rating is "Aa1" for general obligation unlimited and limited tax bonds. Standard and Poor's bond rating is "AA" for general obligation unlimited and limited tax bonds.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current (2005) debt limitation for the County is \$1,034,542,243, which is significantly in excess of the County's outstanding general obligation debt.

Additional information on the County's long-term debt can be found in note III.G on pages 68-71 of this report.

### **Economic Factors and Next Year's Budgets and Rates**

The following factors were considered in preparing the County's budget for the 2005 fiscal year:

- The County's tax base continues to grow despite the economic difficulties of the State. Specifically, the County's taxable value grew by 6.33 percent which translates to an additional \$1.6 million in tax revenue. In addition, the County does not levy its maximum authorized levy to address taxpayer burden. Although the 2004 operating levy is increasing by .1 mill, the County still has a cushion of .7762 mills which provides an additional \$6.2 million the County may access with a vote of the Board of Commissioners.
- The unemployment rate for the County was 5.2 percent for 2004, which is a significant decrease from the rate of 6.2 percent a year ago. The County's unemployment approximates the national unemployment rate and is much lower than the State's average unemployment rate of 7.1 percent.
- Inflationary trends in the region compare favorably to national indices.

Highlights of the 2005 budget are as follows:

- Reduction in the tax levy of 18% over the maximum allowable levy
- Includes 25 positions with a 2005 cost of \$1.1 million
- Includes \$2.56 million in new equipment
- Includes contingency of \$1.2 million

## **Requests for Information**

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: June Hagan, Fiscal Services Director, 12220 Fillmore Street, Room 331, West Olive, Michigan, 49460.

**County of Ottawa  
Statement of Net Assets  
December 31, 2004**

	Primary Government			Component Units			
	Governmental Activities	Business-type Activities	Total	Ottawa County Road Commission	Ottawa County Central Dispatch Authority	Ottawa County Public Utilities System	Ottawa County Drain Commissioner
<b><u>ASSETS</u></b>							
Current assets:							
Cash and pooled investments	\$79,300,771	\$21,805,738	\$101,106,509	\$165,147	\$4,568,221	\$9,262,028	\$1,615,233
Investments	16,599,722		16,599,722	918,551			
Receivables (net of allowance for estimated uncollectibles):							
Taxes	31,821,957	2,526,455	34,348,412				
Accrued interest and penalties on delinquent taxes		412,577	412,577				
Accounts	1,724,368	23,019	1,747,387	197,091		1,513,813	328,886
Accrued interest on investments	743,009		743,009				
Internal balances	(340,381)	401,166	60,785				
Advances to component units	325,000		325,000				
Due from other governmental units	5,252,025		5,252,025	5,216,783	117,909	69,672,310	738,650
Due from component units		81,180	81,180				9,886
Inventory of supplies	172,238		172,238	853,975			
Prepaid expenses	475,238		475,238	376,303	160,702		
Total current assets	<u>136,073,947</u>	<u>25,250,135</u>	<u>161,324,082</u>	<u>7,727,850</u>	<u>4,846,832</u>	<u>80,448,151</u>	<u>2,692,655</u>
Noncurrent assets:							
Net pension asset	2,073,124		2,073,124				
Capital assets, net of accumulated depreciation							
Land	23,216,877		23,216,877	1,367,182			
Land improvements	6,781,572		6,781,572				
Buildings	42,018,541		42,018,541	8,248,852	11,920		
Machinery and equipment	3,929,679	6,873	3,936,552	3,641,400	3,058,947		
Infrastructure				45,606,036			10,667,917
Construction in progress	3,590,383		3,590,383				
Total noncurrent assets	<u>81,610,176</u>	<u>6,873</u>	<u>81,617,049</u>	<u>58,863,470</u>	<u>3,070,867</u>		<u>10,667,917</u>
Total assets	<u>217,684,123</u>	<u>25,257,008</u>	<u>242,941,131</u>	<u>66,591,320</u>	<u>7,917,699</u>	<u>80,448,151</u>	<u>13,360,572</u>
<b><u>LIABILITIES</u></b>							
Current liabilities:							
Accounts payable	19,045,681	68	19,045,749	1,041,950	136,704	4,332,330	57,306
Interest payable	168,947		168,947		17,326	613,258	5,230
Due to primary government						81,180	
Due to component units	61,917		61,917	9,886		222,281	
Due to other governmental units	4,796,535	29,502	4,826,037				
Current portion of long-term debt	5,515,308		5,515,308	616,256	331,021	6,497,000	113,600
Advances from primary government						150,000	175,000
Advances from other governmental units	282,063		282,063	466,097			
Unearned revenue	25,806,435		25,806,435			12,190	65,437
Total current liabilities	<u>55,676,886</u>	<u>29,570</u>	<u>55,706,456</u>	<u>2,134,189</u>	<u>485,051</u>	<u>11,908,239</u>	<u>416,573</u>
Noncurrent liabilities:							
Bond issuance costs and discount						(659,378)	
Noncurrent portion of long-term obligations	21,174,977		21,174,977	3,837,323	344,604	68,127,536	649,400
Total noncurrent liabilities	<u>21,174,977</u>		<u>21,174,977</u>	<u>3,837,323</u>	<u>344,604</u>	<u>67,468,158</u>	<u>649,400</u>
Total liabilities	<u>76,851,863</u>	<u>29,570</u>	<u>76,881,433</u>	<u>5,971,512</u>	<u>829,655</u>	<u>79,376,397</u>	<u>1,065,973</u>
<b><u>NET ASSETS</u></b>							
Invested in capital assets, net of related debt	62,513,315	6,873	62,520,188	55,171,387	2,395,242		9,904,917
Restricted for:							
Debt service	353,992		353,992			659,378	289,930
Park development	7,229,878		7,229,878				
Public improvement	5,704,873		5,704,873				
Stabilization	7,035,224		7,035,224				
Revenue Sharing Reserve	6,760,960		6,760,960				
Pension obligations	2,073,124		2,073,124				
Capital projects							421,262
Cemetery perpetual care:							
Expendable	209		209				
Non-expendable	5,770		5,770				
Managed care risk exposure	1,913,202		1,913,202				
Primary and local road construction and maintenance				4,516,667			
Equipment, training, and future projects					10,754	362,338	
Drain maintenance							40,600
Unrestricted	<u>47,241,713</u>	<u>25,220,565</u>	<u>72,462,278</u>	<u>931,754</u>	<u>4,682,048</u>	<u>50,038</u>	<u>1,637,890</u>
Total net assets	<u>\$140,832,260</u>	<u>\$25,227,438</u>	<u>\$166,059,698</u>	<u>\$60,619,808</u>	<u>\$7,088,044</u>	<u>\$1,071,754</u>	<u>\$12,294,599</u>

The accompanying notes are an integral part of the financial statements.

**County of Ottawa  
Statement of Activities  
For the Year Ended December 31, 2004**

Functions/Programs	Expenses	Indirect Expenses Allocation	Program Revenues			Net (Expense) Revenue
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary government</b>						
Governmental activities:						
Legislative	\$467,068	\$2,926				(\$469,994)
Judicial	10,706,957	1,029,530	\$3,337,581	\$2,456,782		(5,942,124)
General government	20,259,051	(6,630,805)	8,049,440	2,352,295		(3,226,511)
Public safety	20,539,228	1,293,756	4,442,960	1,307,777		(16,082,247)
Public works	1,029,504	14,873	417,824	44,537		(582,016)
Health and welfare	45,664,867	2,401,433	2,434,930	36,581,493		(9,049,877)
Community and economic development	845,740	3,224				(848,964)
Culture and recreation	1,654,955	3,069	411,092		\$464,436	(782,496)
Interest on long-term debt	890,774		2,243,461			1,352,687
Total governmental activities	<u>102,058,144</u>	<u>(1,881,994)</u>	<u>21,337,288</u>	<u>42,742,884</u>	<u>464,436</u>	<u>(35,631,542)</u>
Business-type activities:						
Delinquent tax collection	75,794	1,812,416	936,481			(951,729)
Total primary government	<u>\$102,133,938</u>	<u>(\$69,578)</u>	<u>\$22,273,769</u>	<u>\$42,742,884</u>	<u>\$464,436</u>	<u>(\$36,583,271)</u>
<b>Component units</b>						
Ottawa County Road Commission	\$15,888,002		\$2,685,532	\$16,659,431	\$9,872,717	\$13,329,678
Ottawa County Central Dispatch Authority	3,332,844		2,685	3,600,561	420,804	691,206
Ottawa County Public Utilities	15,635,782		14,747,541			(888,241)
Ottawa County Drain Commissioner	<u>908,215</u>				<u>1,315,225</u>	<u>407,010</u>
Total component units	<u>\$35,764,843</u>		<u>\$17,435,758</u>	<u>\$20,259,992</u>	<u>\$11,608,746</u>	<u>\$13,539,653</u>

(Continued on next page)



**County of Ottawa**  
**Statement of Activities (Concluded)**  
**For the Year Ended December 31, 2004**

	Primary Government			Component Units			
	Governmental Activities	Business- type Activities	Total	Ottawa County Road Commission	Ottawa County Central Dispatch Authority	Ottawa County Public Utilities	Ottawa County Drain Commissioner
<b>Primary Government:</b>							
Changes in net assets:							
Net (expense) revenue	(\$35,631,542)	(\$951,729)	(\$36,583,271)	\$13,329,678	\$691,206	(\$888,241)	\$407,010
General Revenues:							
Property taxes, levied for general purposes	35,723,509		35,723,509				
Property taxes, levied for park development	2,463,466		2,463,466				
Property taxes, levied for debt service	3,419,770		3,419,770				
Grants and contributions not restricted to specific programs	1,448,461		1,448,461	12,250			
Investment earnings	2,440,814	401,166	2,841,980	19,875	57,774	13,475	30,154
Miscellaneous	316,890		316,890	342,082		883,000	
Capital contributions	100,000		100,000				2,811,139
Transfers - internal activities	805,899	(800,000)	5,899				
Total general revenues and transfers	46,718,809	(398,834)	46,319,975	374,207	57,774	896,475	2,841,293
Change in net assets	11,087,267	(1,350,563)	9,736,704	13,703,885	748,980	8,234	3,248,303
Net assets - beginning of year, as restated	129,744,993	26,578,001	156,322,994	46,915,923	6,339,064	1,063,520	9,046,296
Net assets - end of year	\$140,832,260	\$25,227,438	\$166,059,698	\$60,619,808	\$7,088,044	\$1,071,754	\$12,294,599

The accompanying notes are an integral part of the financial statements.

(Concluded)

**County of Ottawa  
Balance Sheet  
Governmental Funds  
December 31, 2004  
(with comparative totals for December 31, 2003)**

	General	Parks and Recreation	Health	Mental Health	Public Improvement	Revenue Sharing Reserve	Other Governmental Funds	Total Governmental Funds	
								2004	2003
<b>ASSETS</b>									
Cash and pooled investments	\$16,400,830	\$6,922,920	\$1,196,944	\$7,683,688	\$6,095,676		\$24,622,375	\$62,922,433	\$65,638,431
Investments							5,770	5,770	5,770
Receivables (net of allowance for estimated uncollectibles):									
Taxes	20,096,859	2,370,925				\$9,354,173		31,821,957	30,859,954
Accounts	224,884	25,555	129,513	464,173			763,004	1,607,129	888,674
Accrued interest on investments	606,253							606,253	645,195
Due from other funds	2,593,213	143,424			165,294		247,379	3,149,310	890,210
Interfund receivable	2,085,836							2,085,836	471,478
Advances to other funds									1,100
Advances to component units	325,000							325,000	325,000
Due from other governmental units	1,998,175	396,969	300,365	100,685			2,452,936	5,249,130	5,659,155
Inventory of supplies	51,002		61,038	4,296				116,336	144,016
Prepaid expenditures	14,268	98,240	13,210	157,955				283,673	311,555
Total assets	\$44,396,320	\$9,958,033	\$1,701,070	\$8,410,797	\$6,260,970	\$9,354,173	\$28,091,464	\$108,172,827	\$105,840,538
<b>LIABILITIES AND FUND BALANCES</b>									
Liabilities:									
Accounts payable	\$1,864,881	\$126,181	\$551,446	\$2,084,342	\$556,097		\$1,611,815	\$6,794,762	\$6,580,880
Due to other governmental units			43,201	4,753,308			26	4,796,535	4,403,242
Due to other funds	1,200,934					\$2,593,213		3,794,147	1,799,197
Due to component units							61,917	61,917	
Interfund payable							846,440	846,440	471,478
Advances from other governmental units	75,281						206,782	282,063	275,133
Deferred revenue	23,952,919	2,601,974	62,582	100			137,626	26,755,201	33,295,877
Advances from other funds									2,100
Total liabilities	27,094,015	2,728,155	657,229	6,837,750	556,097	2,593,213	2,864,606	43,331,065	46,827,907
Fund balances:									
Reserved - General	1,734,514							1,734,514	1,630,225
Reserved - Special Revenue		98,240	13,210	157,955		6,760,960		7,030,365	
Reserved - Debt Service							522,939	522,939	574,806
Reserved - Permanent							5,770	5,770	5,770
Unreserved:									
Designated - General	6,086,173							6,086,173	3,815,898
Designated - Special Revenue		177,789		1,261,787			3,742,318	5,181,894	4,337,613
Undesignated - General	9,481,618							9,481,618	9,116,155
Undesignated - Special Revenue		6,953,849	1,030,631	153,305	5,704,873		20,955,622	34,798,280	39,532,164
Undesignated - Permanent Fund							209	209	
Total fund balances	17,302,305	7,229,878	1,043,841	1,573,047	5,704,873	6,760,960	25,226,858	64,841,762	59,012,631
Total liabilities and fund balances	\$44,396,320	\$9,958,033	\$1,701,070	\$8,410,797	\$6,260,970	\$9,354,173	\$28,091,464	\$108,172,827	\$105,840,538

The accompanying notes are an integral part of the financial statements.

**County of Ottawa**  
**Reconciliation of Fund Balances on the Balance Sheet**  
**for Governmental Funds to Net Assets**  
**of Governmental Activities on the Statement of Net Assets**  
**December 31, 2004**

Fund balances - total governmental funds	\$64,841,762
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources, and therefore are not reported in the funds.

Add: capital assets used in the operation of governmental funds	100,694,638
Subtract: accumulated depreciation	(23,315,475)

Contributed inventory is not reported in the funds	24,268
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The net pension asset, a long term asset, is not recorded in the funds.	2,073,124
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Internal service funds are used by management to charge the costs of certain activities, such as insurance and other centralized costs, to individual funds on a cost reimbursement basis. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net assets.

Add: net assets of governmental activities accounted for in internal service funds	22,424,409
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Certain revenue that was earned and accrued in the current period but not received after 60 days is not recognized in the fund statement but recognized under full accrual.	948,766
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Certain liabilities, such as bonds payable, are not due and payable in the current period, and therefore are not reported in the funds.

Subtract: bonds payable	(16,795,000)
Subtract: landfill reclamation	(6,827,941)
Subtract: land contracts	(228,737)
Subtract: compensated absences	(2,838,607)
Subtract: accrued interest payable	(168,947)

Net assets of governmental activities	\$140,832,260
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*The accompanying notes are an integral part of the financial statements.*

**County of Ottawa**  
**Statement of Revenue, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the year ended December 31, 2004**  
**(with comparative totals for the year ended December 31, 2003)**

	General	Parks and Recreation	Health	Mental Health	Public Improvement	Revenue Sharing Reserve	Other Governmental Funds	Total Governmental Funds	
								2004	2003
<b>Revenues</b>									
Taxes	\$29,744,577	\$2,463,466				\$9,354,173	\$44,529	\$41,606,745	\$30,477,703
Intergovernmental revenues	6,237,538	464,436	\$2,870,452	\$25,378,816			12,682,967	47,634,209	45,591,195
Charges for services	6,843,844	190,330	765,727	834,650	\$112,139		1,388,445	10,135,135	10,797,855
Fines and forfeits	1,026,797						6,500	1,033,297	1,000,292
Interest on investments	830,652	143,424			165,294		274,200	1,413,570	1,826,467
Licenses and permits	311,494		392,928					704,422	661,333
Rental income	2,225,581	42,796	4,150		737,356		2,243,461	5,253,344	5,244,366
Other	356,567	177,966	109,341	43,930			301,677	989,481	1,013,754
<b>Total revenue</b>	<b>47,577,050</b>	<b>3,482,418</b>	<b>4,142,598</b>	<b>26,257,396</b>	<b>1,014,789</b>	<b>9,354,173</b>	<b>16,941,779</b>	<b>108,770,203</b>	<b>96,612,965</b>
<b>Expenditures</b>									
Current expenditures:									
Legislative	463,217							463,217	480,630
Judicial	8,428,269						3,298,245	11,726,514	11,712,072
General government	10,302,707				6,910,358		882,258	18,095,323	15,782,021
Public safety	18,710,052						3,183,957	21,894,009	20,623,695
Public works	154,379						746,016	900,395	1,349,214
Health and welfare	516,986		8,792,093	26,966,205			11,147,952	47,423,236	43,306,591
Community and economic development	504,870						338,181	843,051	555,858
Culture and recreation		3,239,016						3,239,016	7,243,494
Other governmental functions	107,577							107,577	99,322
Debt service							2,299,901	2,299,901	2,305,822
<b>Total expenditures</b>	<b>39,188,057</b>	<b>3,239,016</b>	<b>8,792,093</b>	<b>26,966,205</b>	<b>6,910,358</b>		<b>21,896,510</b>	<b>106,992,239</b>	<b>103,458,719</b>
Revenues over (under) expenditures	8,388,993	243,402	(4,649,495)	(708,809)	(5,895,569)	9,354,173	(4,954,731)	1,777,964	(6,845,754)
<b>Other financing sources (uses)</b>									
Transfers from other funds	6,638,481	530,000	5,126,234	476,500			6,161,551	18,932,766	12,420,974
Transfers to other funds	(12,287,447)					(2,593,213)	(939)	(14,881,599)	(11,141,169)
<b>Total other financing sources (uses)</b>	<b>(5,648,966)</b>	<b>530,000</b>	<b>5,126,234</b>	<b>476,500</b>		<b>(2,593,213)</b>	<b>6,160,612</b>	<b>4,051,167</b>	<b>1,279,805</b>
Special item:									
Contribution to West Michigan Enforcement Team for formation									(481,329)
<b>Net change in fund balances</b>	<b>2,740,027</b>	<b>773,402</b>	<b>476,739</b>	<b>(232,309)</b>	<b>(5,895,569)</b>	<b>6,760,960</b>	<b>1,205,881</b>	<b>5,829,131</b>	<b>(6,047,278)</b>
Fund balance, beginning of year	14,562,278	6,456,476	567,102	1,805,356	11,600,442		24,020,977	59,012,631	65,059,909
Fund balance, end of year	\$17,302,305	\$7,229,878	\$1,043,841	\$1,573,047	\$5,704,873	\$6,760,960	\$25,226,858	\$64,841,762	\$59,012,631

The accompanying notes are an integral part of the financial statements.

(Continued on next page)

**County of Ottawa**  
**Reconciliation of the Statement of Revenue, Expenditures**  
**and Changes in Fund Balances**  
**of Governmental Funds to the Statement of Activities**  
**For the Year Ended December 31, 2004**

Net change in fund balances - total governmental funds	\$5,829,131
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add: capital outlay	8,915,367
Subtract: depreciation expense	(2,839,383)

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Add: principal payments on long-term liabilities	1,451,044
Subtract: increase in the landfill reclamation liability	(329,288)
Add: decrease in compensated absences liability	38,762

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Add: decrease in accrued interest payable	14,127
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(202,187)
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Inventory contributed during the year but not used is not recorded in the fund statements	24,268
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Changes in the net pension asset are not recorded in the fund statements	
Subtract: decrease in the net pension asset	(56,144)

The capital land contribution is not recorded as revenue on the fund statement.	100,000
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Internal service funds are used by management to charge the costs of certain activities, such as insurance and other centralized costs, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.

Subtract: net loss from governmental activities accounted for in internal service funds	(1,858,430)
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Change in net assets of governmental activities	\$11,087,267
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*The accompanying notes are an integral part of the financial statements.*

**COUNTY OF OTTAWA**

**GENERAL FUND (1010) - STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL**

For the Year Ended December 31, 2004

(with comparative actual amounts for the year ended December 31, 2003)

	2004				2003
	Original Budget	Final Amended Budget	Actual	Variance	Actual
<b>Revenues:</b>					
Taxes	\$29,296,194	\$29,622,575	\$29,744,577	\$122,002	\$28,134,948
Intergovernmental revenues	8,211,846	7,707,904	6,237,538	(1,470,366)	8,359,170
Charges for services	6,096,540	6,863,312	6,843,844	(19,468)	7,595,010
Fines and forfeits	1,226,100	1,044,300	1,026,797	(17,503)	993,792
Interest on investments	1,828,000	1,900,000	830,652	(1,069,348)	941,249
Licenses and permits	306,425	328,925	311,494	(17,431)	292,537
Rental income	2,495,268	2,414,409	2,225,581	(188,828)	2,156,724
Other	326,273	445,120	356,567	(88,553)	305,311
Total revenues	<u>49,786,646</u>	<u>50,326,545</u>	<u>47,577,050</u>	<u>(2,749,495)</u>	<u>48,778,741</u>
<b>Expenditures:</b>					
Current operations:					
Legislative	519,202	522,440	463,217	59,223	480,630
Judicial	8,701,634	8,810,975	8,428,269	382,706	8,663,444
General government	11,088,014	11,215,717	10,302,707	913,010	9,854,313
Public safety	18,402,320	20,310,728	18,710,052	1,600,676	17,293,342
Public works	172,500	155,500	154,379	1,121	127,728
Health and welfare	610,384	589,534	516,986	72,548	579,206
Community and economic development	517,382	549,703	504,870	44,833	536,718
Other governmental functions	1,283,467	107,577	107,577		99,322
Total expenditures	<u>41,294,903</u>	<u>42,262,174</u>	<u>39,188,057</u>	<u>3,074,117</u>	<u>37,634,703</u>
Revenues over expenditures	<u>8,491,743</u>	<u>8,064,371</u>	<u>8,388,993</u>	<u>324,622</u>	<u>11,144,038</u>
<b>Other Financing Sources (Uses):</b>					
Transfers from other funds	4,045,268	6,638,481	6,638,481		1,178,500
Transfers to other funds	(12,666,507)	(12,642,202)	(12,287,447)	354,755	(10,078,187)
Total other financing sources (uses)	<u>(8,621,239)</u>	<u>(6,003,721)</u>	<u>(5,648,966)</u>	<u>354,755</u>	<u>(8,899,687)</u>
Net change in fund balance	(129,496)	2,060,650	2,740,027	679,377	2,244,351
Fund balance, beginning of year	<u>14,562,278</u>	<u>14,562,278</u>	<u>14,562,278</u>		<u>12,317,927</u>
Fund balance, end of year	<u>\$14,432,782</u>	<u>\$16,622,928</u>	<u>\$17,302,305</u>	<u>\$679,377</u>	<u>\$14,562,278</u>

*The accompanying notes are an integral part of the financial statements.*

**COUNTY OF OTTAWA**

**PARKS AND RECREATION SPECIAL REVENUE FUND (2081) -  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET (GAAP BASIS) AND ACTUAL**

For the Year Ended December 31, 2004  
(with comparative actual amounts for the year ended December 31, 2003)

	2004				2003
	Original Budget	Final Amended Budget	Actual	Variance	Actual
<b>Revenues:</b>					
Taxes	\$2,417,817	\$2,449,455	\$2,463,466	\$14,011	\$2,342,755
Intergovernmental revenues	1,163,598	1,471,098	464,436	(1,006,662)	962,099
Charges for services	221,700	229,360	190,330	(39,030)	216,500
Interest on investments	250,000	250,000	143,424	(106,576)	172,965
Rental income	36,000	47,150	42,796	(4,354)	35,291
Other	125,000	176,275	177,966	1,691	103,356
<b>Total revenues</b>	<b>4,214,115</b>	<b>4,623,338</b>	<b>3,482,418</b>	<b>(1,140,920)</b>	<b>3,832,966</b>
<b>Expenditures:</b>					
Current operations:					
Personnel services	833,593	839,948	803,114	36,834	726,525
Supplies	136,800	154,525	128,539	25,986	102,576
Other services and charges	294,027	355,227	297,483	57,744	255,969
Capital outlay	3,888,708	5,159,950	1,928,372	3,231,578	6,076,916
Debt service	81,510	81,510	81,508	2	81,508
<b>Total expenditures</b>	<b>5,234,638</b>	<b>6,591,160</b>	<b>3,239,016</b>	<b>3,352,144</b>	<b>7,243,494</b>
<b>Revenues over (under) expenditures</b>	<b>(1,020,523)</b>	<b>(1,967,822)</b>	<b>243,402</b>	<b>2,211,224</b>	<b>(3,410,528)</b>
<b>Other financing sources (uses):</b>					
Transfers in (out):					
General Fund	530,000	530,000	530,000		530,000
Infrastructure					965,000
<b>Total other financing sources (uses)</b>	<b>530,000</b>	<b>530,000</b>	<b>530,000</b>		<b>1,495,000</b>
<b>Net change in fund balance</b>	<b>(490,523)</b>	<b>(1,437,822)</b>	<b>773,402</b>	<b>2,211,224</b>	<b>(1,915,528)</b>
<b>Fund balance, beginning of year</b>	<b>6,456,476</b>	<b>6,456,476</b>	<b>6,456,476</b>		<b>8,372,004</b>
<b>Fund balance, end of year</b>	<b>\$5,965,953</b>	<b>\$5,018,654</b>	<b>\$7,229,878</b>	<b>\$2,211,224</b>	<b>\$6,456,476</b>

*The accompanying notes are an integral part of the financial statements.*

**COUNTY OF OTTAWA**  
**HEALTH SPECIAL REVENUE FUND (2210) -**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET (GAAP BASIS) AND ACTUAL**

For the Year Ended September 30, 2004  
(with comparative actual amounts for the year ended September 30, 2003)

	2004				2003
	Original Budget	Final Amended Budget	Actual	Variance	Actual
<b>Revenues:</b>					
Intergovernmental revenues	\$2,643,397	\$2,931,778	\$2,870,452	(\$61,326)	\$2,731,561
Charges for services	837,692	877,458	765,727	(111,731)	776,874
Licenses and permits	309,720	401,104	392,928	(8,176)	368,796
Rental income	4,800	4,800	4,150	(650)	4,050
Other	90,086	125,455	109,341	(16,114)	88,597
Total revenues	3,885,695	4,340,595	4,142,598	(197,997)	3,969,878
<b>Expenditures:</b>					
Current operations:					
Personnel services	5,970,268	6,057,277	5,792,423	264,854	5,395,950
Supplies	705,125	811,857	736,240	75,617	706,781
Other services and charges	2,357,475	2,436,669	2,184,137	252,532	2,197,634
Capital outlay		86,022	79,293	6,729	
Total expenditures	9,032,868	9,391,825	8,792,093	599,732	8,300,365
Revenues over (under) expenditures	(5,147,173)	(5,051,230)	(4,649,495)	401,735	(4,330,487)
<b>Other financing sources (uses):</b>					
Transfers in (out):					
General Fund	5,124,990	5,126,235	5,126,234	(1)	3,986,718
Public Improvement					(17,560)
Total other financing sources (uses)	5,124,990	5,126,235	5,126,234	(1)	3,969,158
Net change in fund balance	(22,183)	75,005	476,739	401,734	(361,329)
Fund balance, beginning of year	567,102	567,102	567,102		928,431
Fund balance, end of year	<u>\$544,919</u>	<u>\$642,107</u>	<u>\$1,043,841</u>	<u>\$401,734</u>	<u>\$567,102</u>

*The accompanying notes are an integral part of the financial statements.*



**COUNTY OF OTTAWA**

**MENTAL HEALTH SPECIAL REVENUE FUND (2220) -  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET (GAAP BASIS) AND ACTUAL**

For the Year Ended September 30, 2004  
(with comparative actual amounts for the year ended September 30, 2003)

	2004				2003 Actual
	Original Budget	Final Amended Budget	Actual	Variance	
<b>Revenues:</b>					
Intergovernmental revenues	\$25,625,332	\$27,182,592	\$25,378,816	(\$1,803,776)	\$22,885,113
Charges for services	812,702	832,059	834,650	2,591	832,815
Rental income					1,800
Other	82,619	97,355	43,930	(53,425)	120,391
<b>Total revenues</b>	<b>26,520,653</b>	<b>28,112,006</b>	<b>26,257,396</b>	<b>(1,854,610)</b>	<b>23,840,119</b>
<b>Expenditures:</b>					
Current operations:					
Personnel services	10,572,949	10,623,360	10,183,301	440,059	9,403,002
Supplies	317,068	491,347	417,701	73,646	420,275
Other services and charges	16,007,023	17,455,789	16,105,802	1,349,987	14,877,257
Capital outlay		301,991	259,401	42,590	109,863
<b>Total expenditures</b>	<b>26,897,040</b>	<b>28,872,487</b>	<b>26,966,205</b>	<b>1,906,282</b>	<b>24,810,397</b>
<b>Revenues over (under) expenditures</b>	<b>(376,387)</b>	<b>(760,481)</b>	<b>(708,809)</b>	<b>51,672</b>	<b>(970,278)</b>
<b>Other financing sources (uses):</b>					
Transfers in (out):					
General Fund	476,500	476,500	476,500		476,500
<b>Total other financing sources (uses)</b>	<b>476,500</b>	<b>476,500</b>	<b>476,500</b>		<b>476,500</b>
<b>Net change in fund balance</b>	<b>100,113</b>	<b>(283,981)</b>	<b>(232,309)</b>	<b>51,672</b>	<b>(493,778)</b>
<b>Fund balance, beginning of year</b>	<b>1,805,356</b>	<b>1,805,356</b>	<b>1,805,356</b>		<b>2,299,134</b>
<b>Fund balance, end of year</b>	<b>\$1,905,469</b>	<b>\$1,521,375</b>	<b>\$1,573,047</b>	<b>\$51,672</b>	<b>\$1,805,356</b>

*The accompanying notes are an integral part of the financial statements.*

**COUNTY OF OTTAWA**

**PUBLIC IMPROVEMENT SPECIAL REVENUE FUND (2450) -  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET (GAAP BASIS) AND ACTUAL**

For the Year Ended December 31, 2004  
(with comparative actual amounts for the year ended December 31, 2003)

	2004				2003
	Original Budget	Final Amended Budget	Actual	Variance	Actual
<b>Revenues:</b>					
Charges for services		\$112,139	\$112,139		
Interest on investments	\$569,570	569,570	165,294	(\$404,276)	\$372,226
Rental income	673,424	693,424	737,356	43,932	694,747
Total revenues	1,242,994	1,375,133	1,014,789	(360,344)	1,066,973
<b>Expenditures:</b>					
Current operations:					
Supplies		475,000	229,924	245,076	
Other services and charges	2,320	4,320	4,319	1	3,124
Capital outlay	6,700,000	8,032,348	6,676,115	1,356,233	5,683,306
Total expenditures	6,702,320	8,511,668	6,910,358	1,601,310	5,686,430
Revenues over (under) expenditures	(5,459,326)	(7,136,535)	(5,895,569)	1,240,966	(4,619,457)
<b>Other financing sources (uses):</b>					
Transfers in (out):					
Health					(72,920)
Total other financing sources (uses)					(72,920)
Net change in fund balance	(5,459,326)	(7,136,535)	(5,895,569)	1,240,966	(4,692,377)
Fund balance, beginning of year	11,600,442	11,600,442	11,600,442		16,292,819
Fund balance, end of year	<u>\$6,141,116</u>	<u>\$4,463,907</u>	<u>\$5,704,873</u>	<u>\$1,240,966</u>	<u>\$11,600,442</u>

*The accompanying notes are an integral part of the financial statements.*

**COUNTY OF OTTAWA**

**REVENUE SHARING RESERVE SPECIAL REVENUE FUND (2855) -  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET (GAAP BASIS) AND ACTUAL**

For the Year Ended December 31, 2004  
(with comparative actual amounts for the year ended December 31, 2003)

	2004				
	Original Budget	Final Amended Budget	Actual	Variance	2003 Actual
<b>Revenues:</b>					
Taxes		\$9,354,172	\$9,354,173	\$1	
Total revenues		9,354,172	9,354,173	1	
<b>Expenditures:</b>					
Current operations:					
Total expenditures					
Revenues over (under) expenditures		9,354,172	9,354,173	1	
<b>Other financing sources (uses):</b>					
Transfers in (out):					
General Fund		(2,593,213)	(2,593,213)		
Total other financing sources (uses)		(2,593,213)	(2,593,213)		
Net change in fund balance		6,760,959	6,760,960	1	
Fund balance, beginning of year					
Fund balance, end of year	None	\$6,760,959	\$6,760,960	\$1	None

**County of Ottawa  
Statement of Net Assets  
Proprietary Funds  
December 31, 2004**

	<u>Business-type Activities- Enterprise Funds Delinquent Tax Revolving Fund</u>	<u>Governmental Activities- Internal Service Funds</u>
<b><u>ASSETS</u></b>		
Current assets:		
Cash and pooled investments	\$21,805,738	\$16,378,338
Investments		16,593,952
Receivables:		
Delinquent taxes receivable	2,526,455	
Accrued interest and penalties on delinquent taxes	412,577	
Accounts	23,019	117,239
Accrued interest on investments		136,756
Due from other governmental units		2,895
Due from other funds	401,166	4,913,187
Due from component units	81,180	
Inventory of supplies		31,634
Prepaid expenses		191,565
Total current assets	<u>25,250,135</u>	<u>38,365,566</u>
Noncurrent assets:		
Capital assets:		
Office furniture and equipment	58,443	3,454,004
Copy machines		158,898
Telephone equipment		2,274,911
Vehicles		3,699,509
Less accumulated depreciation	<u>(51,570)</u>	<u>(7,429,433)</u>
Net capital assets	<u>6,873</u>	<u>2,157,889</u>
Total assets	<u>25,257,008</u>	<u>40,523,455</u>
<b><u>LIABILITIES</u></b>		
Current liabilities:		
Accounts payable	68	12,250,919
Interfund payable		1,239,396
Due to other funds		4,608,731
Due to other governmental units	29,502	
Total current liabilities	<u>29,570</u>	<u>18,099,046</u>
<b><u>NET ASSETS</u></b>		
Investment in capital assets	6,873	2,157,889
Restricted for managed care risk exposure		1,913,202
Unrestricted	<u>25,220,565</u>	<u>18,353,318</u>
Total net assets	<u>\$25,227,438</u>	<u>\$22,424,409</u>

*The accompanying notes are an integral part of the financial statements.*

**County of Ottawa**  
**Statement of Revenue, Expenses and**  
**Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the Year Ended December 31, 2004**

	<u>Business-type Activities- Enterprise Funds Delinquent Tax Revolving Fund</u>	<u>Governmental Activities- Internal Service Funds</u>
Operating revenues:		
Charges for services	\$32,114	\$13,829,795
Penalties and interest in delinquent taxes	904,367	
Other revenue		5,050
Total operating revenues	<u>936,481</u>	<u>13,834,845</u>
Operating expenses:		
Personnel services		1,921,562
Contractual services	50	1,987,526
Supplies		240,044
Depreciation	1,816	756,415
Building and equipment rental	1,886,344	35,184
Claims and legal		8,148,129
Miscellaneous		400,971
Total operating expenses	<u>1,888,210</u>	<u>13,489,831</u>
Operating income (loss)	<u>(951,729)</u>	<u>345,014</u>
Nonoperating revenues (expenses):		
Interest on investments	401,166	948,436
Net change in the fair value of investments		78,808
Gain on retirement of capital assets		14,580
Total nonoperating revenues	<u>401,166</u>	<u>1,041,824</u>
Income (loss) before transfers	(550,563)	1,386,838
Transfers in (out):		
General fund	(800,000)	(3,245,268)
Total transfers	<u>(800,000)</u>	<u>(3,245,268)</u>
Change in net assets	(1,350,563)	(1,858,430)
Total net assets, beginning of year	26,578,001	24,282,839
Total net assets, end of year	<u><u>\$25,227,438</u></u>	<u><u>\$22,424,409</u></u>

*The accompanying notes are an integral part of the financial statements.*

**County of Ottawa  
Statement of Cash Flows  
Proprietary Funds**

For the Year Ended December 31, 2004

	Business-type Activities- <u>Enterprise Funds</u> <u>Delinquent Tax</u> <u>Revolving Fund</u>	<u>Governmental</u> <u>Activities</u> <u>Internal</u> <u>Service Funds</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from interfund services provided		\$13,873,116
Cash receipts from customers	\$7,452,956	
Cash received from penalties and interest on delinquent taxes	918,342	
Cash payments to suppliers for goods and services	(1,881,537)	(2,150,702)
Cash payments for self-funded insurance claims		(8,821,226)
Cash payments to employees for services		(1,921,562)
Purchase of delinquent tax rolls	(7,336,918)	
Net cash provided by (used for) operating activities	(847,157)	979,626
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Transfers in from other funds		87,478
Transfers out to other funds	(800,000)	(2,100,708)
Net cash used for noncapital financing activities	(800,000)	(2,013,230)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Acquisition of capital assets		(1,085,303)
Proceeds from sale of equipment		19,190
Net cash used for capital and related financing activities		(1,066,113)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of investments		(13,096,764)
Interest on investments	547,099	1,015,799
Proceeds on sale of investments		13,163,700
Net cash provided by investing activities	547,099	1,082,735
Net decrease in cash and pooled investments	(1,100,058)	(1,016,982)
Cash and pooled investments, beginning of year	22,905,796	17,395,320
Cash and pooled investments, end of year	\$21,805,738	\$16,378,338

*The accompanying notes are an integral part of the financial statements.*

*(Continued on next page)*

**County of Ottawa  
Statement of Cash Flows  
Proprietary Funds**

For the Year Ended December 31, 2004

	Business-type Activities- Enterprise Funds Delinquent Tax Revolving Fund	Governmental Activities Internal Service Funds
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	(\$951,729)	\$345,014
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation	1,816	756,415
Change in assets and liabilities not affecting cash provided by (used for) operating activities:		
(Increase) decrease in receivables	101,566	(97,442)
(Increase) decrease in due from other funds	1,000	
(Increase) decrease in prepaid expenses		(18,640)
Increase (decrease) in unpaid claims liability		98,170
Increase (decrease) in accounts payable	68	(143,069)
Increase (decrease) in due to other funds		39,178
Increase (decrease) in due to other governmental units	122	
Net cash provided by (used for) operating activities	<u>(\$847,157)</u>	<u>\$979,626</u>

*(Concluded)*

Noncash investing activities:

The change in fair value of investments for the internal service funds was \$78,808.

*The accompanying notes are an integral part of the financial statements.*

# COUNTY OF OTTAWA

## FIDUCIARY FUNDS

### STATEMENT OF FIDUCIARY NET ASSETS

December 31, 2004

(with comparative totals for December 31, 2003)

	Agency Funds	
	2004	2003
<b>ASSETS</b>		
Cash and pooled investments	\$2,864,161	\$2,667,338
Receivables:		
Accounts	172,954	14,622
Due from other governmental units	74,282	14,218
Total assets	<u>\$3,111,397</u>	<u>\$2,696,178</u>
<b>LIABILITIES</b>		
Liabilities:		
Due to other governmental units:		
Due to State of Michigan	\$1,408,157	\$1,331,786
Fines and fees due to local libraries	428,008	413,632
Agency deposits	1,275,232	950,760
Total liabilities	<u>\$3,111,397</u>	<u>\$2,696,178</u>

*The accompanying notes are an integral part of the financial statements.*



# COUNTY OF OTTAWA, MICHIGAN

## Notes to the Financial Statements

For the Year Ended December 31, 2004

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### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The County of Ottawa, Michigan (the "County") was incorporated in 1837 and covers an area of approximately 565 square miles with the County seat located in the City of Grand Haven. The County operates under an elected Board of Commissioners (11 members) and provides services to its estimated 252,391 residents in many areas including law enforcement, administration of justice, community enrichment and development and human services.

The financial statements of the County have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the County's accounting policies are described below.

#### A. Reporting entity

The accompanying financial statements present the County (the primary government) and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the County's operations, so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the County.

#### Blended Component Units

**The Building Authority** is governed by a three-member board appointed by the Ottawa County Board of Commissioners. Its sole purpose is to finance and construct the County's public buildings. It is reported in the appropriate fund categories of Debt Service and Capital Projects and has a December 31 year-end. A separate report is not prepared for the Building Authority.

**The Ottawa County, Michigan Insurance Authority** is a separate legal entity organized for the purpose of providing insurance coverage and risk management and related services to public entities in the County of Ottawa, Michigan pursuant to State of Michigan Act No. 36 of the Public Acts of 1988. The governing board consists of one appointed and four elected officials of the County and one appointed official from each other participating public entity. The County and the Building Authority are currently the only participating entities. The Insurance Authority is reported in an internal service fund and has a December 31 year-end.

Complete financial statements for the Insurance Authority can be obtained from:

# COUNTY OF OTTAWA, MICHIGAN

## Notes to the Financial Statements

For the Year Ended December 31, 2004

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### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### A. Reporting entity (continued)

Fiscal Services Director  
Ottawa County  
12220 Fillmore Street, Room 331  
West Olive, MI 49460

#### Discretely Presented Component Units

**The Ottawa County Road Commission** was established pursuant to the County Road Law (MCL 224.1). The governing board is appointed by the Ottawa County Board of Commissioners. The Road Commission deposits receipts with and has investments through the County. It may not issue debt or levy a tax without the approval of the County Board of Commissioners. If approval is granted, Road Commission taxes are levied under the taxing authority of the County, as approved by the County electors, and would be included as part of the County's total tax levy as well as reported in the Road Commission Fund. The Road Commission has a September 30 year-end.

**The Ottawa County Public Utilities System's** governing board is appointed by the Ottawa County Board of Commissioners. The Public Utilities System deposits receipts with and invests through the County. It is fiscally dependent upon the County because the County Board must approve debt issuances of Public Act 342 bonds. The Ottawa County Public Utilities System has a December 31 year-end.

Complete financial statements for the Road Commission and the Public Utilities System can be obtained from:

Finance Director  
Ottawa County Road Commission  
P.O. Box 73938  
Grand Haven, MI 49417

**The Ottawa County Central Dispatch Authority** is governed by an eight-member board with two members appointed by the County's Board of Commissioners. It is financially accountable to the County as a result of fiscal dependency. It cannot levy taxes or issue bonded debt without approval of the County. It operates in facilities and with equipment financed through the Building Authority. Additional equipment and software has been financed through lease agreements. The services provided cover all County residents and the County levies a property tax of up to one-half mill to finance the operations of the Dispatch Authority. The Dispatch Authority has a December 31 year-end.

# COUNTY OF OTTAWA, MICHIGAN

## Notes to the Financial Statements

For the Year Ended December 31, 2004

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### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### A. Reporting entity (continued)

Complete financial statements for the Dispatch Authority can be obtained from:

Director  
Ottawa County Central Dispatch Authority  
15 North 6th Street  
Grand Haven, MI 49417

**Ottawa County Drains** drainage districts established pursuant to the Drain Code of 1956 are separate legal entities, with the power to contract, to sue and be sued, to hold, manage and dispose of real and personal property, etc. The Drain Commission is considered to be a component unit of the County because the County has the ability to significantly influence operations and has accountability for fiscal matters. The statutory drainage board of Chapter 20 drainage districts consists of the Drain Commissioner, the Chair of the County Board of Commissioners and one other member of the Board of Commissioners. The statutory drainage board of Chapter 21 drainage districts consists of the State Director of Agriculture and the Drain Commissioner of each county involved in the project. The Drain Commissioner has sole responsibility to administer the drainage district established pursuant to Chapter 3 and 4 of the Drain Code. The drainage board or Drain Commissioner, on behalf of the drainage district, may issue debt and levy special assessments authorized by the Drain Code without the prior approval of the County Board of Commissioners. The full faith and credit of the County may be given for the debt of the drainage district.

Complete financial statements for the Drains can be obtained from:

Fiscal Services Director  
Ottawa County  
12220 Fillmore Street, Room 331  
West Olive, MI 49460

#### B. Funds with Other Year Ends

The financial statements of the Friend of the Court, Health, Mental Health, Transportation System, Prosecuting Attorney Grants, COPS Fast-Allendale, Sheriff 9/30 Grant Programs, COPS Universal, Sheriff Road Patrol, Workforce Investment Act - 9/30 Grant Programs, Grant Programs - Pass Thru, Emergency Feeding, Federal Emergency Management Agency, Community Corrections, Community Action Agency, Child Care - Probate and Child Care - Social Services funds (included with Governmental Funds and reflecting total assets and revenues of 12.45% and 36.39%, respectively, of the Governmental Fund totals) and the Protected Self-Funded Insurance-Mental Health Fund (included with Internal Service Funds and reflecting total assets and revenues of 4.72%

# COUNTY OF OTTAWA, MICHIGAN

## Notes to the Financial Statements

For the Year Ended December 31, 2004

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### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### B. Funds with Other Year Ends (continued)

and .41%, respectively, of the related fund type totals) have been included in the accompanying 2004 financial statements using their fiscal year ended September 30, 2004.

The financial statements of the Workforce Investment Act – Administrative Cost Pool, Workforce Investment Act - Youth, Workforce Investment Act – Adult, and Workforce Investment Act - 6/30 Grant Programs funds (included with Governmental Funds and reflecting total assets and revenues of .37% and .82%, respectively, of the Governmental Fund totals) have been included in the accompanying 2004 financial statements using their fiscal year ended June 30, 2004.

The financial statements of the Weatherization and the Workforce Investment Act-3/31 Grant Programs funds (included with Governmental Funds and reflecting assets and revenues of .08% and .27%, respectively, of the Governmental Fund totals) has been included in the accompanying 2004 financial statements using their fiscal year ended March 31, 2004.

Interfund balances, due to/from account balances, indirect expense allocations, as well as transfers, do not agree across all funds due to the different year ends reported in these funds.

#### C. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Indirect expenses* are charged based upon a County-wide cost allocation plan which allocates costs based upon the number of full time equivalents, number of transactions, and other pertinent information. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

# COUNTY OF OTTAWA, MICHIGAN

## Notes to the Financial Statements

For the Year Ended December 31, 2004

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### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### C. Government-wide and fund financial statements (continued)

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

#### D. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund statements. The fiduciary fund financial statements are reported using the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. After March 1 of the following year, the Delinquent Tax Revolving Fund pays the County for any outstanding taxes as of that date. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, landfill closure costs and compensated absences are recorded only when payment is due.

Intergovernmental revenue, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. The County considers these to be available if received within 180 days of year end. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the County.

The *General Fund* is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

# COUNTY OF OTTAWA, MICHIGAN

## Notes to the Financial Statements

For the Year Ended December 31, 2004

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### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### D. Measurement focus, basis of accounting, and financial statement presentation (continued)

The County reports the following major governmental funds:

*Parks and Recreation Fund (2081)* – This fund was established for the development, maintenance, and operation of Ottawa County parks. Funding is provided by General Fund appropriations, State grants, and user charges. A millage of .33 mills was approved by the County electorate to finance this activity on November 5, 1996 for ten years beginning with the December 1, 1997 levy.

*Health Fund (2210)* – This fund is used to account for monies received from Federal, State, and local grants and County appropriations. These monies are utilized in providing a variety of health-related services to County residents.

*Mental Health Fund (2220)* – This fund is used to account for monies to provide mental health services within the County. Monies are provided by Federal, State, and County appropriations, contributions, and charges for services.

*Public Improvement Fund (2450)* – This fund is used for earmarked revenues set aside for public improvements. Funding is provided from General Fund appropriations and building rentals.

*Revenue Sharing Reserve Fund (2855)* - Public Act 357 of 2004 provides a funding mechanism to serve as a substitute to county revenue sharing payments. This substitute funding mechanism involves a gradual shift of county property tax millage from a winter tax levy to a summer tax levy and additionally, requires the establishment of a restricted fund to be known as the Revenue Sharing Reserve Fund.

The County reports the following major proprietary fund:

*Delinquent Tax Revolving Fund (5160)* – This Enterprise Fund is used to pay each local governmental unit, including the County General Fund, the respective amount of taxes not collected as of March 1 of each year. Financing is provided by subsequent collection of delinquent property taxes by the County Treasurer.

Additionally, the County reports the following fund types:

*Special Revenue Funds* are used to account for revenue from specific revenue sources (other than fiduciary or major capital projects) and related expenditures which are restricted for specific purposes by administrative action or law.

# COUNTY OF OTTAWA, MICHIGAN

## Notes to the Financial Statements

For the Year Ended December 31, 2004

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### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### D. Measurement focus, basis of accounting, and financial statement presentation (continued)

The *Debt Service Fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *Capital Projects Fund* accounts for construction projects of the Building Authority. Currently, the fund has limited activity.

The *Permanent Fund* is used to record the activity of the Cemetery Trust which provides funds for perpetual care of cemetery lots.

*Internal Service Funds* account for data processing, equipment purchases, and insurance coverage provided to County departments on a cost reimbursement basis.

*Agency Funds* are used to account for assets held on behalf of outside parties, including other governments.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Delinquent Tax Revolving enterprise fund are interest and penalties on delinquent taxes. The principal operating revenues of the County's internal service funds are charges to County departments for equipment amortization and insurance coverage. Operating expenses for the enterprise fund include depreciation on capital assets and rent payments for certain County facilities designed to pay the debt obligations of the related bond issue. Operating expenses for the internal service funds include the cost of services (including claims), administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

# COUNTY OF OTTAWA, MICHIGAN

## Notes to the Financial Statements

For the Year Ended December 31, 2004

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### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### E. Assets, liabilities, and net assets or equity

##### 1. *Cash and pooled investments*

For purposes of the statement of cash flows, the County considers all assets held in the cash and investment pool to be cash equivalents because the investments are not identifiable to specific funds and the assets can be withdrawn at anytime, similar to a demand deposit account. The County's investments consist primarily of U.S. treasuries, U.S government agency securities, commercial paper, certificates of deposit, local government investment pools, and mutual funds.

Investments of the Insurance Authority consist of U.S. government and U.S. government agency securities and corporate securities. All investments are recorded at fair value.

##### 2. *Receivables, payables and loans*

During the course of operations, numerous transactions occur between individual funds and/or between the primary government and component units for goods provided or services rendered. These receivables and payables are classified as "due from other funds/component units" or "due to other funds/component units" on the balance sheet. Short-term interfund loans are classified as "interfund receivables/payables".

Any residual balances outstanding between the governmental activities and business-type activity are reported in the government-wide financial statements as "internal balances."

Beginning in 2005, property taxes are levied as of December 1 and July 1 on property values assessed as of the same date. The levy is beginning a three year transition which will gradually move up the entire County levy to July. In 2005, counties will levy one third of their millage for use in 2005. Since the property taxes levied December 1, 2004 are for the operations of future years, two thirds of the receivable is offset by deferred revenue. The remaining one third is held in the Revenue Sharing Reserve fund. The taxes levied December 1 are due on February 14 of the following year and taxes levied July 1 are due on September 14 after which the applicable property is subject to lien, and penalties and interest are assessed.

Other accounts receivable is shown net of the allowance for estimated uncollectibles. For the Mental Health receivables, an allowance of \$423,000 has been established. For the jail and inmate housing receivable an allowance of \$577,000 has been established.



# COUNTY OF OTTAWA, MICHIGAN

## Notes to the Financial Statements

For the Year Ended December 31, 2004

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### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### E. Assets, liabilities, and net assets or equity (continued)

During 2004, the County provided \$705,000 in loans to Allendale Township for two infrastructure projects out of the County's Infrastructure Revolving Loan Fund Program. These loans are recorded in the non major special revenue Infrastructure fund (2444). As of December 31, 2004, the gross amount of these outstanding loans for governmental type funds was \$638,751. The loans will be repaid in 5 years, at 3% interest, with the Township's captured Downtown Development Authority revenues. No allowance has been established for these loans.

#### 3. *Advances to other funds*

Noncurrent portions of long-term interfund loans receivable in governmental funds are reported as advances and are offset by a fund balance reserve account which indicates that they do not constitute expendable available financial resources and therefore are not available for appropriation.

#### 4. *Inventories and prepaid items*

Inventories are valued at cost on the first-in / first-out (FIFO) method. Inventories are recorded as expenditures when consumed rather than when purchased.

Payments made to vendors for services that will benefit periods beyond a fund's fiscal year-end are recorded as prepaid items in both government-wide and fund financial statements.

#### 5. *Restricted Assets*

Certain proceeds of the Building Authority's general obligation bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

In addition, the net assets of the Parks and Recreation Fund (Special Revenue Fund 2081) are comprised mainly of unused revenue from a specially designated tax levy. Hence, it is restricted. Under Act 136, Public Acts of 1956 (Sections 141.261-141.263, Compiled Laws of 1979), the net assets of the Public Improvement Fund (Special Revenue Fund 2450) are restricted for statutory Public Improvement. Under Act 30, Public Acts of 1978, the use of the net assets of the Stabilization Fund (Special Revenue Fund 2570) are restricted to 1) cover a deficit,

# COUNTY OF OTTAWA, MICHIGAN

## Notes to the Financial Statements

For the Year Ended December 31, 2004

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### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### E. Assets, liabilities, and net assets or equity (continued)

2) prevent a reduction in the level of public services or number of employees in the current or next fiscal year, or 3) cover expenses arising from a natural disaster.

The net assets of the Revenue Sharing Reserve special revenue fund are restricted in compliance with Public Act 357 of 2004.

The net assets of the Ottawa County Building Authority debt service fund are restricted in compliance with the bond covenant.

The use of the net assets of the Cemetery Trust are restricted to the perpetual care of certain cemetery lots.

The net assets of the Protected Self-Funded Insurance – Mental Health (6782) are restricted for mental health programs.

It is the County's policy to spend restricted resources first if it meets the criteria of the restricted net asset and use unrestricted resources when the restricted funds are depleted.

#### 6. *Capital assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental activities column in the government-wide financial statements. For the County, infrastructure exists in the Road Commission and the Drain Commission component units. The capitalization threshold ranges from \$1,000 - \$25,000. Capital assets are defined by the primary government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exists. Donated capital assets are valued at their estimated fair market value on the date received. The amount reported for infrastructure includes assets added beginning in 2001.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

No interest expense has been incurred or capitalized on capital assets reported in proprietary funds.

# COUNTY OF OTTAWA, MICHIGAN

## Notes to the Financial Statements

For the Year Ended December 31, 2004

### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### E. Assets, liabilities, and net assets or equity (continued)

Depreciation on the capital assets (including infrastructure) of the primary government, as well as the component units, is computed using the straight-line or sum-of-the-years digits method over the following estimated useful lives:

	<u>Years</u>
Land improvements	25
Buildings	25 - 30
Office furniture and equipment	5 - 20
Vehicles	3 - 10
Public domain infrastructure	50
System infrastructure	30

#### 7. *Self-insurance claims incurred but not reported*

At December 31, 2004 the County has several Internal Service funds which account for various uninsured risks. The County is self-insured up to certain limits, which vary by type of risk, and purchases reinsurance to cover claims in excess of those limits. The County records estimates of self-insurance claims incurred but not reported as of December 31 based on historical trend information and claims reported subsequent to year-end. Such estimates are included in accounts payable.

#### 8. *Compensated absences*

Substantially all County employees are granted vacation and sick leave in varying amounts based on length of service. Vacation pay is fully vested when earned and accrued in the government-wide financial statements. Employees are granted varying amounts of sick days annually and may accumulate up to a maximum of 15 days. Unused sick leave accumulated under the current plan is forfeited upon termination or retirement. Therefore, no liability for unpaid accumulated sick leave is recorded. All employees except judges and elected officials are covered under short and long-term disability benefits if an illness lasts longer than 10 working days or six months, respectively.

# COUNTY OF OTTAWA, MICHIGAN

## Notes to the Financial Statements

For the Year Ended December 31, 2004

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### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### E. Assets, liabilities, and net assets or equity (continued)

Employees who accumulated sick days under the County's prior sick leave policy before moving into the current plan have been allowed to bank up to 120 hours of their sick days accumulated under the prior plan in a holding account at the pay rate in effect when they entered the current plan. Employees' accounts earn interest annually at the average rate earned by the County Treasurer. Employees with at least ten years of continuous service are paid for accumulated sick days in full upon death or retirement and at the rate of 50% of accumulated benefits upon termination for reasons other than death or retirement.

A liability for this amount is accrued and reported in the government-wide financial statements. The County estimates that the maximum liability for unpaid and unused sick leave would be approximately \$887,132 at December 31, 2004 if all employees who accumulated sick leave under the prior plan retired. An actuarial estimate of the amount payable to employees upon retirement at December 31, 2004 is \$848,275 and is funded in the Compensated Absences Fund, a Special Revenue Fund, with a corresponding designated fund balance.

The County has fully funded the vacation liability. The vacation expenditure/expense was recorded in each fund, and this amount was transferred and recorded in the Compensated Absences Fund, a Special Revenue Fund, with a corresponding designated fund balance. An adjustment was made at December 31, 2004 to reflect the change in the balance to \$1,990,332.

Compensated absences for the Road Commission discrete component unit payable out of expendable available resources in the general operating fund is accrued for the fund financial statements (general fund balance sheet and general fund statement of revenues, expenditures and changes in fund balance) and the long-term portion is recorded as an adjustment to the fund financial statements which results in the government-wide statements including both short and long-term portions of this liability. Vacation leave is payable upon termination up to specific limits while 25% of sick leave is payable upon retirement up to a maximum of 25% of 1,120 hours.

The Dispatch Authority's accumulated unpaid vacation is recorded as a liability in the general fund of the Authority, as it is expected to be paid with current financial resources. Accumulated unpaid sick pay is not recorded in the financial statements as it does not vest.

#### 9. *Deferred compensation plan*

The County, the Road Commission and the Dispatch Authority offer to its employees several different deferred compensation plans created in accordance with Internal Revenue Code Section

# COUNTY OF OTTAWA, MICHIGAN

## Notes to the Financial Statements

For the Year Ended December 31, 2004

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### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### E. Assets, liabilities, and net assets or equity (continued)

457. The plans are available to County and Dispatch Authority employees with various options depending on which bargaining unit the employee is a member. All plans permit employees to defer a portion of their salary until future years. Participation in the plans is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. The County employee contributions for 2004 were \$1,318,612 and the County match was \$263,715.

All amounts of compensation deferred under the plans, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are held in trust for the exclusive benefit of participants and their beneficiaries.

Investments are managed by the plans' trustees, under one of several investment options, or combination thereof. The choice of the investment option(s) is made by the participants or the investment manager at the option of the employee. As the assets of the trust are managed by the plans trustees, the plan assets are not recorded in the financial statements of the County.

#### 10. *Employee Retirement Plans*

The County, the Road Commission and the Dispatch Authority have contributory pension plans covering substantially all of their employees. The plans are funded through annual contributions to the Michigan Municipal Employees' Retirement System in amounts sufficient to fund the normal cost of the plans and to amortize prior service cost over 30 years.

#### 11. *Long-term obligations*

In the government-wide financial statements and proprietary fund types in the fund financial statements, the long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. For new bond issuances after the implementation of GASB Statement No. 34, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

# COUNTY OF OTTAWA, MICHIGAN

## Notes to the Financial Statements

For the Year Ended December 31, 2004

### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### E. Assets, liabilities, and net assets or equity (continued)

Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

#### 12. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. Details on these reservations and designations follow:

	General Fund	Parks and Recreation Fund	Health Fund	Mental Health Fund	Revenue Sharing Reserve Fund	Non-major Governmental Fund
Reserved:						
Long-term advances to other funds and component units	\$325,000					
Prepaid expenditures	14,268	\$98,240	\$13,210	\$157,955		
Convention facilities tax monies	1,395,246					
Revenue Sharing Reserve					\$6,760,960	
Debt service						\$522,939
Perpetual care						5,770
Total	<u>\$1,734,514</u>	<u>\$98,240</u>	<u>\$13,210</u>	<u>\$157,955</u>	<u>\$6,760,960</u>	<u>\$528,709</u>
Designated:						
Voting machines	\$27,140					
Planning	293,341					
Grants	157,505					
Mental Health – expansion	556,246			\$1,261,787		
Aerial survey	586,168					
Building improvements	3,277,183					
Jail booking fees	56,411					
Computer technology	84,397					
Reserve for budget	1,047,782					
Park/open space land		\$177,789				
Compensated absences						\$3,742,318
Total	<u>\$6,086,173</u>	<u>\$177,789</u>	<u>\$- 0 -</u>	<u>\$1,261,787</u>	<u>\$- 0 -</u>	<u>\$3,742,318</u>

# COUNTY OF OTTAWA, MICHIGAN

## Notes to the Financial Statements

For the Year Ended December 31, 2004

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### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### E. Assets, liabilities, and net assets or equity (continued)

##### *13. Comparative data/reclassifications*

Presentation of comparative total data for the prior year have been presented when available in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

### II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

#### A. Budgetary information

The General, Special Revenue, Debt Service, Capital Projects, and Permanent Funds are under formal budgetary control.

Formal budgetary integration is employed as a management control device during the year for governmental funds. Formal budgetary integration is not employed for other funds; however, informational summaries are prepared and presented to the Board for consideration for proprietary fund types. The County adopts its budget in accordance with Public Act 621, the Uniform Budgeting and Accounting Act, which mandates an annual budget process and an annual appropriation act to implement the budget. Budgets, as presented for these funds in the accompanying financial statements, were prepared on the modified accrual basis of accounting. The County does not use encumbrances in its accounting system.

Budgets for the succeeding fiscal year are presented to the County Administrator for review each July. The Administrator meets with the various department heads submitting budgets to discuss the content and revenue/expenditure levels contained in their budgets. During September, the Administrator submits the budgets with recommendations to the Finance Committee of the County Board of Commissioners. The Finance Committee then makes a budget recommendation to the County Board of Commissioners in October. A public hearing is held in October to provide any County resident the opportunity to discuss the budget with the Board. The budget, and an appropriation ordinance implementing it, is then adopted in October. A separate budget report is then made available to the public.

# COUNTY OF OTTAWA, MICHIGAN

## Notes to the Financial Statements

For the Year Ended December 31, 2004

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### II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

#### A. Budgetary information (continued)

Budgets for the current year are continually reviewed for any required revisions of original estimates. Proposed increases or reductions in appropriations are presented to the Finance Committee and the Board for their action. The Board amends the general appropriation act as soon as it becomes apparent this action is necessary. The budgetary information as presented herein has been amended by official actions of the Finance Committee and/or County Board of Commissioners.

For the County's major funds, there were a few significant changes from the adopted budget. The first change was in the General Fund due to the loss of State Revenue Sharing in the amount of \$2.5 million which also required the County to create a new fund called Revenue Sharing Reserve Special Revenue Fund, as mandated by the State. The second change was in the Parks and Recreation fund, where the capital outlay budget was increased by \$1.27 million to accommodate land purchases and capital development projects.

The third change is in the Public Improvement Fund and is due to the timing of the County's construction projects which will fluctuate based on outside contractor's schedules and the timing of completed projects. The change for 2004 amounted to an increase of \$1.3 million. Finally, Mental Health's budget for both intergovernmental revenue and other services and charges was adjusted based on new Medicaid funding to accommodate changes in client care needs in the amount of \$1.5 million.

Transfers of any unexpended balance, or any portion thereof, to any other appropriation account may not be made without approval by the Finance Committee, except that transfers within a fund may be made by the Administrator and Finance Director if the amount to be transferred does not exceed \$50,000.

Budgetary control over expenditures is maintained on a line item basis by department, which is the legal level of control. A separate budgetary report is prepared which demonstrates compliance at the legal level of control and is available to the public in the County Clerk's office. Expenditures may not legally exceed budgeted amounts and certain Special Revenue Funds expenditures must be in accordance with the respective agreements with Federal and State grantor agencies.

All budget appropriations lapse at the end of each fiscal year unless specific Board action is taken.

#### B. Excess of expenditures over appropriations

There were no major funds with an excess of expenditures over appropriations.



# **COUNTY OF OTTAWA, MICHIGAN**

## **Notes to the Financial Statements**

**For the Year Ended December 31, 2004**

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### **III. DETAILED NOTES ON ALL FUNDS**

#### **A. Cash and Cash Equivalents**

Cash and cash equivalents consist primarily of money market mutual funds and other short-term investments with an original maturity of three months or less and are carried at cost, which approximates fair value.

#### **B. Investments**

The County's investments are stated at fair value which is determined as follows: (a) securities are priced by FTI an on-line pricing service as of the end of each business day and (b) investments that do not have established market values are reported at estimated fair value.

Michigan statutes authorize the County to invest in bonds, other direct obligations and repurchase agreements of the United States, certificate of deposits, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC, commercial paper, bankers' acceptances of United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds. The County's investment policy, last amended in April of 2000, allows for all of these types of investments.

The Ottawa County Insurance Authority investment policy allows for all of the investment types authorized for the County as well as investment grade fixed income securities and common stock of U.S. companies.

The Ottawa County Insurance Authority's investments and restricted investments are stated at fair value which is determined as follows: (a) securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates and (b) investments that do not have established market values are reported at estimated fair value. The investments of the Ottawa County Road Commission and Public Utilities were in certificates of deposit and money market mutual funds.

The County chooses to disclose its investments by utilizing the specific identification method. Included in the County's investment pool are some or all of the cash and deposits of the Ottawa County Road Commission, Ottawa County Public Utilities, Drain Commissioner and Economic Development Corporation. As of December 31, 2004, the County had the following investments.

# COUNTY OF OTTAWA, MICHIGAN

## Notes to the Financial Statements

For the Year Ended December 31, 2004

### III. DETAILED NOTES ON ALL FUNDS (continued)

#### B. Investments (continued)

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
Federal Home Loan Bank	03/03/2006 <sup>1</sup>	\$ 2,965,320
Federal Home Loan Bank	04/24/2006 <sup>2</sup>	2,957,820
Federal Home Loan Bank	03/30/2009 <sup>1</sup>	1,963,760
Federal Home Loan Bank	10/29/2009 <sup>3</sup>	2,000,000
Federal Home Loan Bank	02/04/2010 <sup>4</sup>	2,302,162
Federal Home Loan Bank	04/08/2010 <sup>5</sup>	1,978,120
Federal Home Loan Bank	04/06/2011 <sup>6</sup>	1,963,760
Federal Home Loan Mortgage Corp	01/23/2008 <sup>7</sup>	2,227,148
Federal Home Loan Mortgage Corp	04/15/2009 <sup>1</sup>	1,479,840
Federal Home Loan Mortgage Corp	07/30/2010 <sup>8</sup>	2,018,272
Federal Home Loan Mortgage Corp	03/29/2011 <sup>9</sup>	1,966,580
Federal Home Loan Mortgage Corp	04/08/2011 <sup>10</sup>	2,972,400
Federal National Mortgage Assoc	01/30/2006 <sup>11</sup>	2,967,180
Federal National Mortgage Assoc	11/09/2007 <sup>12</sup>	1,994,380
Federal National Mortgage Assoc	07/16/2008 <sup>1</sup>	2,939,070
Federal National Mortgage Assoc	10/28/2008 <sup>1</sup>	1,786,343
Federal National Mortgage Assoc	08/06/2010 <sup>3</sup>	1,977,500

<sup>1</sup> No call

<sup>2</sup> First call 10/24/2003 & every 3 months after

<sup>3</sup> Continuous call

<sup>4</sup> Continuous call on and after 2/5/2005

<sup>5</sup> Continuous call on and after 4/8/2010

<sup>6</sup> Continuous call on and after 4/6/2006

<sup>7</sup> One time call on 1/23/2008

<sup>8</sup> First Call 7/30/2004 and every 3 months after

<sup>9</sup> First call 3/29/2005 and every 3 months after

<sup>10</sup> One time call on 4/8/2005

<sup>11</sup> First call 10/30/2003 and every 3 months after

<sup>12</sup> One time call on 11/9/2005

**COUNTY OF OTTAWA, MICHIGAN**

**Notes to the Financial Statements**

**For the Year Ended December 31, 2004**

**III. DETAILED NOTES ON ALL FUNDS (continued)**

**B. Investments (continued)**

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
U.S. Treasury note	05/31/2005	3,821,683
U.S. Treasury note	06/30/2005	993,280
U.S. Treasury note	08/15/2007	3,505,180
U.S. Treasury note	11/15/2007	2,999,379
U.S. Treasury note	05/15/2008	3,910,640
U.S. Treasury note	09/15/2008	5,247,212
U.S. Treasury note	01/15/2009	2,478,325
U.S. Treasury note	03/15/2009	1,932,580
U.S. Treasury note	11/15/2012	4,123,062
U.S. Treasury strip	11/15/2005	1,953,040
U.S. Treasury strip	02/15/2006	2,909,550
U.S. Treasury strip	08/15/2007	2,497,016
Total		<u>\$74,830,602</u>

In addition to the above holdings, at December 31, 2004, the County (primary government) also had the following short term balances which are recorded at cost:

<u>Investment</u>	<u>Cost</u>
Certificates of Deposit	\$9,512,570
Savings	\$4,010,592
Money Market Funds	\$5,785,524
Mutual Funds	\$2,015,099
Cash	\$6,368,252

Also reflected on the statement as of December 31, 2004 are the investments of the Ottawa County Insurance Authority. The following schedule lists the investments and maturities in debt securities (none of which are callable):

# COUNTY OF OTTAWA, MICHIGAN

## Notes to the Financial Statements

For the Year Ended December 31, 2004

### III. DETAILED NOTES ON ALL FUNDS (continued)

#### B. Investments (continued)

	Cost	Fair Value	Investment Maturities (fair value by years)		
			Less Than 1	1-5	6-10
<b>Debt Securities</b>					
U.S. treasuries	\$ 3,562,426	\$ 3,537,729	\$ 1,004,373	\$ 1,782,921	\$ 750,435
U.S. agencies	1,678,357	1,777,163	486,862	679,587	610,714
Corporate bonds	668,973	677,302	-	528,807	148,495
Total Debt Securities	<u>\$ 5,909,756</u>	<u>\$ 5,992,194</u>	<u>\$ 1,491,235</u>	<u>\$ 2,991,315</u>	<u>\$ 1,509,644</u>
<b>Equity Securities:</b>					
Common Stocks	<u>4,354,134</u>	<u>5,340,682</u>			
<b>Total investments held by the Authority</b>	<u><b>\$10,263,890</b></u>	<u><b>\$11,332,876</b></u>			

In 1998, to comply with Michigan Insurance Bureau regulations, the Ottawa County Insurance Authority transferred certain investments – i.e., U.S. Treasury Notes – to the Michigan Department of Treasury as security for the benefit of the Authority's policyholders. As these investments mature, they are replaced with comparable investments to maintain a face value balance of \$5.0 million. Such investments held by the State Treasurer as of December 31, 2004 and 2003, are as summarized:

Description	Maturity Date	Interest Rate	Face Value	Fair Value	
				2004	2003
U.S. Treasury Notes	02/15/2007	6.250%	\$ 485,000	\$ 516,147	\$ 540,775
U.S. Treasury Notes	05/15/2007	4.375%	1,400,000	1,438,178	1,482,740
U.S. Treasury Notes	08/15/2007	6.125%	1,675,000	1,796,823	1,874,995
U.S. Treasury Notes	11/15/2008	4.750%	1,100,000	1,151,480	1,178,430
U.S. Treasury Notes	02/15/2012	4.875%	340,000	358,448	360,502
			<u><b>\$5,000,000</b></u>	<u><b>\$5,261,076</b></u>	<u><b>\$ 5,437,442</b></u>

At 12/31/04, the Authority also held \$1,241,792 in deposits and \$212,009 in money market funds.

*Interest Rate Risk.* The County does have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The policy sets the maximum maturity by specific type of security and by specific issuer with the maximum of 10 years. The average maturity of the portfolio as a whole may not exceed three years. As of December 31, 2004, the average maturity of the portfolio was 2.96 years.

# COUNTY OF OTTAWA, MICHIGAN

## Notes to the Financial Statements

For the Year Ended December 31, 2004

### III. DETAILED NOTES ON ALL FUNDS (continued)

#### B. Investments (continued)

*Credit Risk.* State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations with a maximum maturity of 270 days. The County's Investment Policy further limits its investment choices by limiting the maturity to A-1 90 days and A-2 60 days. As of December 31, 2004, the County did not hold any commercial paper. The County's investments in U.S. agencies were rated AAA by Standard & Poor's. As of December 31, 2004, the County held two positions in \$1 NAV money market mutual funds that are diversified pools with the underlying investments rated. Of the \$7,800,624 in money market mutual funds, \$5,409,104 is in BankOne with an Aaa Rating by Moody's Investors Service. The remaining funds, including the \$2,298,228 in money market mutual funds of the Ottawa County Central Dispatch Authority, a component unit, are in Ambassador Capital, Fifth Third Bank and MBIA Class which were not separately rated.

Of the Ottawa County Insurance Authority's (the "Authority") investments in the mortgage-backed bonds of U.S agencies as of December 31, 2004, \$1,725,527 was rated AAA and \$51,636 was rated A by Standard & Poor's. The Authority's investments in corporate bonds were rated as follows:

<b>Rated by Standard &amp; Poor's:</b>	
AAA	\$ 51,686
AA-	48,686
A+	317,195
A	156,113
A-	49,646
	<u>623,326</u>
<b>Rated by Moody's -</b>	
A1	<u>53,976</u>
	<u><b>\$ 677,302</b></u>

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned. For purposes of providing an indication of the assumed levels of custodial credit risk, investments are categorized as follows:

**Category 1** – Investments that are insured or registered or for which the securities are held by the Authority or its agent in the Authority's name.

## COUNTY OF OTTAWA, MICHIGAN

### Notes to the Financial Statements

For the Year Ended December 31, 2004

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#### III. DETAILED NOTES ON ALL FUNDS (continued)

##### B. Investments (continued)

**Category 2** – Uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the agency's name.

**Category 3** – Uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent, but not in the Authority's name.

The County's Investment Policy provides that deposits of cash and certificates of deposit are restricted to financial institutions which have been evaluated for creditworthiness and meet the ratios stated in the Policy based upon information provided by a service such as the Sheshunoff Information Services Inc. Further, concentration limits are established on the evaluation of creditworthiness with an overall maximum in any one financial institution. As of December 31, 2004, the County's investment pool, including the component units that participate in the investment pool, held \$18,240,277 in deposit form in Michigan banks with \$13,982,550 in certificates of deposit and savings accounts and \$4,257,727 in checking account balances. Of the \$18,240,277 in deposits, \$17,638,657 was uninsured and uncollateralized.

The Ottawa County Insurance Authority's deposits in the amount of \$1,241,792 and \$1,134 at December 31, 2004 and 2003, respectively, was uninsured and uncollateralized.

The cash deposits of the Ottawa County Road Commission that are not part of the County's investment pool, \$165,147, are insured for \$100,000, and the remaining \$65,147 is neither insured nor collateralized.

Cash and investments of the Ottawa County Central Dispatch Authority (OCCDA), a component unit, was \$2,269,993 of which \$100,000 was insured and collateralized. The remainder of the deposits is neither insured nor collateralized. However, OCCDA assesses the risk level of each financial institution to limit risk to an acceptable level.

*Custodial Credit Risk – Investments.* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County's Investment Policy requires that investment securities be held in third-party safekeeping by an institution designated as primary agent. The Policy further states that safekeeping agent follows the procedure of delivery vs. payment. As of December 31, 2004, the County's \$74,830,602 in investments was held in third-party safekeeping in the County's name.

The Ottawa County Insurance Authority's short-term investments in money market funds amounting to \$212,009 and \$662,189 at December 31, 2004 and 2003, respectively, are not subject to risk

# COUNTY OF OTTAWA, MICHIGAN

## Notes to the Financial Statements

For the Year Ended December 31, 2004

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### III. DETAILED NOTES ON ALL FUNDS (continued)

#### B. Investments (continued)

In addition, at December 31, 2004, the OCCDA had \$2,298,228 in money market mutual funds which are not subject to risk categorization.

*Concentration of Credit Risk.* The County's Investment Policy specifies a plan to diversify and set concentration limits to further manage credit risk. The policy sets maximum percentages of the pooled portfolio by investment type with additional maximums by issuer. A minimum of 15% is to be invested in U.S. Treasuries. The Policy sets a maximum of 50% in U.S. agencies with a maximum of 20% in any one issuer. Certificates of deposit have a 50% maximum with concentration limits set at 5% of the issuer's net worth. More than 5% of the County's investments are in Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, U.S. Treasury notes and U.S. Treasury strips, however, they do not exceed the County's Policy. These investments are 16.78%, 11.09%, 12.13%, 30.18% and 7.65%, respectively of the County's total pooled investments.

#### C. Deferred Revenue

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period or for resources that have been received, but not yet earned. The governmental activities column of the statement of net assets reports deferred revenue for resources that have been received, but not yet earned as well as property taxes which have been levied as of year end for use in the next fiscal year.

# COUNTY OF OTTAWA, MICHIGAN

## Notes to the Financial Statements

For the Year Ended December 31, 2004

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### III. DETAILED NOTES ON ALL FUNDS (continued)

#### B. Investments (continued)

categorization. At December 31, 2004 and 2003, the Authority's remaining investments were all in Category 1.

*Concentration of Credit Risk.* The County's Investment Policy specifies a plan to diversify and set concentration limits to further manage credit risk. The policy sets maximum percentages of the pooled portfolio by investment type with additional maximums by issuer. A minimum of 15% is to be invested in U.S. Treasuries. The Policy sets a maximum of 50% in U.S. agencies with a maximum of 20% in any one issuer. Certificates of deposit have a 50% maximum with concentration limits set at 5% of the issuer's net worth. More than 5% of the County's investments are in Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, U.S. Treasury notes and U.S. Treasury strips, however, they do not exceed the County's Policy. These investments are 16.78%, 11.09%, 12.13%, 30.18% and 7.65%, respectively of the County's total pooled investments.

#### C. Deferred Revenue

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period or for resources that have been received, but not yet earned. The governmental activities column of the statement of net assets reports deferred revenue for resources that have been received, but not yet earned as well as property taxes which have been levied as of year end for use in the next fiscal year.



# COUNTY OF OTTAWA, MICHIGAN

## Notes to the Financial Statements

For the Year Ended December 31, 2004

### III. DETAILED NOTES ON ALL FUNDS (continued)

#### D. Capital assets

Capital asset activity for the year ended December 31, 2004 was as follows:

##### Primary Government

<b>Governmental activities:</b>	<b>Beginning of Year</b>	<b>Additions</b>	<b>Deductions</b>	<b>End of Year</b>
Capital assets, not being depreciated:				
Land	\$22,221,318	\$1,108,059	(\$112,500)	\$23,216,877
Construction in progress	14,300	3,590,383	(14,300)	3,590,383
Total capital assets, not being depreciated	22,235,618	4,698,442	(126,800)	26,807,260
Capital assets, being depreciated:				
Land improvements	9,173,035	924,467		10,097,502
Buildings	51,023,316	3,314,360		54,337,676
Machinery and equipment	18,189,902	1,415,570	(565,950)	19,039,522
Total capital assets, being depreciated	78,386,253	5,654,397	(565,950)	83,474,700
Less accumulated depreciation for:				
Land improvements	(2,810,586)	(505,344)		(3,315,930)
Buildings	(10,372,308)	(1,948,395)	1,568	(12,319,135)
Machinery and equipment	(14,311,973)	(1,328,594)	530,724	(15,109,843)
Total accumulated depreciation	(27,494,867)	(3,782,333)	532,292	(30,744,908)
Net capital assets, being depreciated	50,891,386	1,872,064	(33,658)	52,729,792
Net governmental activities capital assets	\$73,127,004	\$6,570,506	(\$160,458)	\$79,537,052

<b>Business-type activities:</b>	<b>Beginning Of Year</b>	<b>Additions</b>	<b>Deductions</b>	<b>End of Year</b>
Capital assets, being depreciated:				
Machinery and equipment	\$58,443			\$58,443
Less accumulated depreciation for:				
Machinery and equipment	(49,754)	(\$1,816)		(51,570)
Net business-type activities capital assets	\$8,689	(\$1,816)		\$6,873

**COUNTY OF OTTAWA, MICHIGAN**

**Notes to the Financial Statements**

**For the Year Ended December 31, 2004**

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**III. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**D. Capital assets (continued)**

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

Judicial	\$19,025
General government	2,025,944
Public safety	188,299
Public works	32,486
Health and welfare	352,278
Culture and recreation	407,886

Capital assets held by the government's internal service funds  
are charged to the various functions based on their usage  
of the assets

756,415

Total depreciation expense – governmental activities

\$3,782,333

Business-type activities:

Delinquent tax collection

\$1,816

# COUNTY OF OTTAWA, MICHIGAN

## Notes to the Financial Statements

For the Year Ended December 31, 2004

### D. Capital assets (continued)

#### Discretely Presented Component Units

Activity for the capital assets of the component units for the various years ended were as follows:

	Beginning of Year	Additions	Deductions	End of Year
Capital assets, not being depreciated:				
Land and improvements	\$1,292,315	\$74,867		\$1,367,182
Total capital assets, not being depreciated	<u>1,292,315</u>	<u>74,867</u>		<u>1,367,182</u>
Capital assets, being depreciated:				
Buildings	10,561,103			10,561,103
Machinery and equipment	21,505,425	1,280,784	\$53,845	22,732,364
Infrastructure	<u>41,637,033</u>	<u>18,357,983</u>		<u>59,995,016</u>
Total capital assets, being depreciated	<u>73,703,561</u>	<u>19,638,767</u>	<u>53,845</u>	<u>93,288,483</u>
Less accumulated depreciation for:				
Buildings	(2,018,868)	(281,463)		(2,300,331)
Machinery and equipment	(14,003,001)	(2,082,861)	53,845	(16,032,017)
Infrastructure	<u>(2,027,196)</u>	<u>(1,693,867)</u>		<u>(3,721,063)</u>
Total depreciation	<u>(18,049,065)</u>	<u>(4,058,191)</u>	<u>53,845</u>	<u>(22,053,411)</u>
Net capital assets, being depreciated	<u>\$55,654,496</u>	<u>\$15,580,576</u>	<u>\$0</u>	<u>\$71,235,072</u>
Net component unit capital assets	<u>\$56,946,811</u>	<u>\$15,655,443</u>	<u>\$0</u>	<u>\$72,602,254</u>

# COUNTY OF OTTAWA, MICHIGAN

## Notes to the Financial Statements

For the Year Ended December 31, 2004

### III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

#### D. Capital assets (continued)

##### Commitments

At December 31, 2004, the County has \$9.1 million in commitments for various building projects. The majority of the amount, \$7.1 million, is committed for the Holland District Court. In addition, \$1.5 million is committed for the renovation of the Hudsonville facility. \$521,000 is committed for the Fulton Street Human Services facility.

The Ottawa County Public Utilities discrete component unit has commitments for various construction projects totaling approximately \$572,000. These commitments are being funded from bond proceeds issued in prior years.

As of September 30, 2004, the Ottawa County Road Commission had entered into contracts for construction of various projects for approximately \$905,000.

#### E. Interfund receivables, payables, and transfers

The composition of interfund balances as of December 31, 2004, is as follows:

<u>Due to and from Other Funds:</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Primary Government:		
Major Governmental Funds:		
General Fund	\$2,593,213	\$1,200,934
Parks and Recreation	143,424	
Public Improvement Fund	165,294	
Revenue Sharing Reserve Fund		2,593,213
Major Enterprise Fund:		
Delinquent Tax Revolving	401,166	
Non-major Governmental Funds	247,379	
Internal Service Funds	4,913,187	4,608,731
	<u>\$8,463,663</u>	<u>\$8,402,878</u>
September 30 due from paid before December 31 year end		60,785
Total	<u>\$8,463,663</u>	<u>\$8,463,663</u>

# COUNTY OF OTTAWA, MICHIGAN

## Notes to the Financial Statements

For the Year Ended December 31, 2004

### III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

#### E. Interfund receivables, payables, and transfers (continued)

Interfund balances primarily reflect the interest on investments that will be allocated from the General Fund.

Also, included in the Internal Service Funds is \$4,608,731 which represents funds from the Worker's Compensation program that are invested by the Ottawa County Insurance Authority. There are no plans to pay off this liability within the next year.

#### Due to and from Primary Government and Component Units

	Due from Component Units	Due to Primary Government
Major Enterprise Fund: Delinquent Tax Revolving	\$81,180	
Ottawa County Public Utilities System		\$81,180
Total	\$81,180	\$81,180

	Due from Primary Government	Due to Component Units
Nonmajor governmental fund	\$61,917	
Ottawa County Drains		\$61,917
Total	\$61,917	\$61,917

**COUNTY OF OTTAWA, MICHIGAN**

**Notes to the Financial Statements**

**For the Year Ended December 31, 2004**

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**III. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**E. Interfund receivables, payables, and transfers (continued)**

Due to and from Other Component Units

	Due from Other Component Units	Due to Other Component Units
Ottawa County Road Commission		\$9,886
Ottawa County Public Utilities		\$222,281
Ottawa County Drains	\$9,886	
	<u>9,886</u>	<u>232,167</u>
December 31 due from established after September 30 year end	<u>222,281</u>	
Total	<u>\$232,167</u>	<u>\$232,167</u>

Interfund Receivables and Payables

	Interfund Receivables	Interfund Payables
Major Funds:		
General Fund	\$2,085,836	
Non-major Governmental Funds		\$846,440
Internal Service Funds		<u>1,239,396</u>
Total	<u>\$2,085,836</u>	<u>\$2,085,836</u>

**COUNTY OF OTTAWA, MICHIGAN**

**Notes to the Financial Statements**

**For the Year Ended December 31, 2004**

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**III. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**E. Interfund receivables, payables, and transfers (continued)**

Advances to and from Primary Government and Component Units

	<u>Advances to Component Units</u>	<u>Advances from Primary Government</u>
Primary Government:		
Major Governmental Funds:		
General Fund	\$325,000	
Component Units:		
Ottawa County Public Utilities		\$150,000
Ottawa County Drain Commissioner		175,000
Total	<u>\$325,000</u>	<u>\$325,000</u>

Interfund Transfers within the Primary Government

	<u>In (Out)</u>
Major Governmental Funds:	
1010 General Fund	(\$5,648,966)
2081 Parks and Recreation	530,000
2210 Health	5,126,234
2220 Mental Health	476,500
2855 Revenue Sharing Reserve	( 2,593,213)
Major Enterprise Fund:	
5160 Delinquent Tax Revolving	( 800,000)
Non-major Governmental Funds	6,160,612
Internal Service Funds	(3,245,268)
September 30, 2003 transfer in made prior to December 31, 2003 year end	( 5,899)
Total	<u>None</u>

**COUNTY OF OTTAWA, MICHIGAN**

**Notes to the Financial Statements**

**For the Year Ended December 31, 2004**

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**III. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**E. Interfund receivables, payables, and transfers (continued)**

Transfers are used to: (1) move unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations and (2) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them.

**F. Leases**

Operating Leases

The County is committed under various leases for building and office space. These leases are considered for accounting purposes to be operating leases. Lease expenditures for the year ended December 31, 2004 amounted to \$361,504. Future minimum lease payments for these leases are as follows:

<u>Year Ending</u>	<u>Amount</u>
2005	\$270,012
2006	195,679
2007	112,575
2008	35,123
2009	19,801
2010	<u>1,250</u>
Total	<u>\$634,440</u>

In addition, the County is a lessor under various operating lease agreements for office space and marinas. The original cost of these assets was \$14,813,709 and the accumulated depreciation totals \$3,159,467 leaving a carrying value of \$11,654,242.



**COUNTY OF OTTAWA, MICHIGAN**

**Notes to the Financial Statements**

**For the Year Ended December 31, 2004**

**III. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**F. Leases (continued)**

Lease revenue for the year ending December 31, 2004 was \$811,188. Future lease revenues for these leases are as follows:

<u>Year Ending</u>	<u>Amount</u>
2005	\$678,123
2006	636,300
2007	636,300
2008	636,300
2009	636,300
2010-2014	<u>3,181,500</u>
Total	<u>\$6,404,823</u>

For the Community Mental Health lease agreements, these amounts are for fixed rent charges only. The variable portion is not determinable.

Capital Leases

The Ottawa County Central Dispatch Authority, a component unit, has entered into a capital lease agreement for the purchase and installation of a mobile data system. The agreement provided financing of \$3,200,000 for this project. As of December 31, 2004, capital assets of approximately \$2,300,000 were included on the statement of net assets which were financed through this lease agreement. Terms for this agreement include annual payments ranging from \$358,742 to \$929,901 including interest at 4.07% through 2006.

Changes in debt for the year are as follows:

	<u>Beginning Of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>End Of Year</u>	<u>Due in One Year</u>
Leases Payable	<u>\$1,542,247</u>	<u>\$ - 0 -</u>	<u>\$866,622</u>	<u>\$675,625</u>	<u>\$331,021</u>

# COUNTY OF OTTAWA, MICHIGAN

## Notes to the Financial Statements

For the Year Ended December 31, 2004

### III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

#### F. Leases (continued)

Future minimum lease payments under capital lease agreements are as follows:

	<u>Principal</u>	<u>Interest</u>
2005	\$331,021	\$27,721
2006	344,604	14,139
<b>Total</b>	<b>\$675,625</b>	<b>\$41,860</b>

#### G. Long-term debt

The County issues general obligation bonds to provide funds for the construction of water and sewage disposal systems, drains and buildings and to refund previously issued bonds. General obligations have been issued only for governmental activities. The bonds are being repaid generally from funds received from local municipalities in the County, from drain assessments levied, and from lease revenues received by the Building Authority. Under the terms of the bond agreements, the local municipalities have pledged their full faith and credit to pay the County, each year, amounts sufficient to make principal and interest payments on the bonds.

In addition, the County has pledged its full faith and credit for payment on the bonds. The County has not established a reserve or sinking fund to cover defaults by property owners or local units. These bonds generally are issued as 20-year serial bonds with varying amounts of principal maturing each year.

The original issue amount of the primary government's bonds is \$26,410,000. The original issue amount of the Drain Commissioner's and Ottawa County Public Utilities' bonds are \$1,350,000 and \$98,968,000 respectively.

In November 2001, the Ottawa County Road Commission issued \$4,500,000 in Public Act 143 bonds for the purpose of constructing a maintenance facility in Holland. The borrowing will be paid from State revenue allocated to the County Road Commission for road purposes. The County did not pledge its full faith and credit for these bonds.

# COUNTY OF OTTAWA, MICHIGAN

## Notes to the Financial Statements

For the Year Ended December 31, 2004

### III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

#### G. Long-term debt (continued)

General obligation bonds currently outstanding are as follows:

Purpose	Interest Rate	Primary Government	Component Units			Total Ottawa County
			Ottawa County Drain Commissioner	Ottawa County Public Utilities System	Ottawa County Road Commission	
Governmental activities	2.00 – 7.1%	\$12,945,000	\$625,000	\$43,744,536	\$3,150,000	\$60,464,536
Governmental activities – refunding	2.0 – 7.6%	3,850,000		30,880,000		34,730,000
Total		<u>\$16,795,000</u>	<u>\$625,000</u>	<u>\$74,624,536</u>	<u>\$3,150,000</u>	<u>\$95,194,536</u>

The annual debt service requirements (to maturity) for the bonds outstanding at year-end follow. Interest is payable on all bond obligations semi-annually. Principal payments are made annually.

Year Ending December 31	Government Activities			
	Primary Government		Component Units	
	Principal	Interest	Principal	Interest
2005	\$1,460,000	\$840,450	\$7,022,000	\$3,282,895
2006	1,420,000	776,116	7,792,000	3,025,280
2007	1,515,000	710,535	7,057,000	2,733,986
2008	1,590,000	635,335	7,477,000	2,466,859
2009	1,680,000	555,093	6,123,000	2,166,705
2010 - 2014	5,720,000	1,714,613	22,491,000	7,504,619
2015 – 2019	3,410,000	363,552	14,610,446	3,279,300
2020 - 2024			5,472,090	648,219
2025 - 2029			150,000	71,750
2030 – 2034			170,000	31,264
2035– 2037			35,000	897
	<u>\$16,795,000</u>	<u>\$5,595,694</u>	<u>\$78,399,536</u>	<u>\$25,211,774</u>

# COUNTY OF OTTAWA, MICHIGAN

## Notes to the Financial Statements

For the Year Ended December 31, 2004

### III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

#### G. Long-term debt (continued)

*Parks and Recreation Land Contracts.* The Parks and Recreation department has engaged in two land contracts for the purpose of acquiring land for park development. The initial issuance amount was \$525,000. The interest rates range from 8.0% to 9.25%. Principal and interest requirements are as follows:

Year Ending December 31	Principal	Interest
2005	\$61,035	\$20,473
2006	66,470	15,037
2007	72,392	9,117
2008	28,840	2,668
	<u>\$228,737</u>	<u>\$47,295</u>

*Prior Years Advance Refundings.* In prior years, the Building Authority advance refunded certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. The advance refunding resulted in a defeasance of the bonds. As a result of these advance refundings, the trust account assets and the liability for the defeased bonds are not included in these financial statements. At December 31, 2004, \$3,730,000 of bonds are considered defeased for the Building Authority.

# COUNTY OF OTTAWA, MICHIGAN

## Notes to the Financial Statements

For the Year Ended December 31, 2004

### III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

#### G. Long-term debt (continued)

*Changes in Long-Term Liabilities.* Long-term liability activity for the year ended December 31, 2004 was as follows:

##### Primary Government

	Beginning of Year	Additions	Reductions	End of Year	Due within One Year
Governmental activities:					
General obligation bonds	\$18,190,000		\$1,395,000	\$16,795,000	\$1,460,000
Landfill reclamation	6,498,653	\$329,288		6,827,941	2,003,941
Compensated absences	2,877,369	324,819	363,581	2,838,607	1,990,332
Parks & Recreation land contracts	284,781		56,044	228,737	61,035
Total	<u>\$27,850,803</u>	<u>\$654,107</u>	<u>\$1,814,625</u>	<u>\$26,690,285</u>	<u>\$5,515,308</u>

The reporting entity's legal debt margin at December 31, 2004 is \$882,596,373.

For the governmental activities, compensated absences are generally liquidated by the Compensated Absences Special Revenue fund. Future payments for the land contracts are paid out of the Parks and Recreation Special Revenue fund.

##### Discretely Presented Component Units

	Beginning of Year	Additions	Reductions	End of Year	Due within One Year
Governmental activities:					
General obligation bonds	\$80,321,536	\$6,100,000	\$8,022,000	\$78,399,536	\$7,022,000
Notes payable	93,000	76,000	31,000	138,000	38,600
Claims payable	127,573	136,250	155,425	108,398	
Compensated absences	717,697	92,369	156,968	653,098	103,526
Capital leases/Installment Purchases	2,145,879		928,171	1,217,708	393,751
Total	<u>\$83,405,685</u>	<u>\$6,404,619</u>	<u>\$9,293,564</u>	<u>\$80,516,740</u>	<u>\$7,557,877</u>

# COUNTY OF OTTAWA, MICHIGAN

## Notes to the Financial Statements

For the Year Ended December 31, 2004

### III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

#### H. Short-term debt

Short-term debt activity consisting of issuance and payment on notes for drain projects is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Payments</u>	<u>Ending Balance</u>
Drain project notes	<u>\$125,000</u>	<u>\$ - 0 -</u>	<u>\$(125,000)</u>	<u>\$ - 0 -</u>

#### I. Landfill reclamation

The County owns the Southwest Ottawa County Refuse Disposal Center ("SOCRDC") otherwise known as the Southwest Ottawa County Landfill. Waste Management operated the landfill from the early 1970's until it was closed in 1981. The landfill was closed per the terms of the "1981 closure agreement" between the County and the Department of Natural Resources (DNR). The agreement outlined a plan to cap the landfill and install a pump and carbon filtration system. Waste Management installed the cap in the mid 1980's, the pump and carbon filtration system was built by the County in 1987, as per the terms of the closure agreement. The County has been operating the pump and filter system 24 hours a day, 7 days a week since beginning operation in 1987.

The pump and filter system has not been effective in containing the plume of contaminants in the groundwater down gradient from the landfill. As a result, contaminants have escaped past the outer purge wells and are migrating southwest towards Lake Michigan. The County has been in negotiation with the Michigan Department of Environmental Quality (MDEQ), formerly known as the DNR, over how best to move forward with this cleanup effort. Even though the contaminated water meets drinking water standards, the County has proposed bringing municipal water to the property owners in the path of the plume, and to work with the local unit of government to place institutional controls on future users moving into the area. In addition, the County is proposing a redesign of the pump and filter system in an effort to enhance the effectiveness of the system. Also under discussion is the recapping of the entire 40-acre landfill. The cost of these enhancements could well exceed \$4.8 million dollars.

# COUNTY OF OTTAWA, MICHIGAN

## Notes to the Financial Statements

For the Year Ended December 31, 2004

### III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

#### I. Landfill reclamation (continued)

The County's estimate of annual operating and maintenance costs and capital improvements for the purge system is as follows:

<u>Estimated Cost</u>	<u>Year Ending</u>
2005	\$2,003,941
2006	3,790,500
2007	127,000
2008	127,000
2009	127,000
2010-2014	652,500
	<u>\$6,827,941</u>

### IV. OTHER INFORMATION

#### A. Defined benefit pension plan

1. *Plan Description.* The County of Ottawa, the Ottawa County Road Commission and the Ottawa County Central Dispatch Authority have defined benefit pension plans which provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The County of Ottawa, the Ottawa County Road Commission and the Ottawa County Central Dispatch Authority participate in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer plan administered by the MERS Retirement Board. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Municipal Employees Retirement System of Michigan, 1134 Municipal Way, Lansing, Michigan, 48917 or by calling (800) 767-6377.

## COUNTY OF OTTAWA, MICHIGAN

### Notes to the Financial Statements

For the Year Ended December 31, 2004

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#### 2. *Funding Policy.*

##### County of Ottawa:

The County is required to contribute at an actuarially determined rate; the current rate ranges from 4.92% to 20.28% as a percentage of annual covered payroll and varies by participating division. Certain employee groups are currently required to contribute to the Plan that ranges from 1% to 6.99% of their annual covered payroll. The contribution requirements of the County are established and may be amended by the MERS Retirement Board. The contribution requirements of plan members, if any, are established and may be amended by the County, depending on the MERS contribution program adopted and/or negotiated by the County.

##### Ottawa County Road Commission:

The Road Commission is required to contribute at an actuarially determined rate of 12.33% to 37.9% as a percentage of annual covered payroll and varies by participating division. Employees are currently not required to contribute to the plan. The contribution requirements of the Road Commission are established and may be amended by the MERS Retirement Board. The contribution requirements of plan members, if any, are established and may be amended by the Road Commission, depending on the MERS contribution program adopted by the Road Commission.

##### Ottawa County Central Dispatch Authority:

The Dispatch Authority is required to contribute at an actuarially determined rate; the current rate ranges from .42% to 7.45% as a percentage of annual covered payroll and varies by participating division. Employees do not currently contribute to the plan. The contribution requirements of the Dispatch Authority are established and may be amended by the MERS Retirement Board. The contribution requirements of plan members, if any, are established and may be amended by the Dispatch Authority, depending on the MERS contribution program adopted by the Dispatch Authority.



# COUNTY OF OTTAWA, MICHIGAN

## Notes to the Financial Statements

For the Year Ended December 31, 2004

### IV. OTHER INFORMATION (CONTINUED)

#### A. Defined benefit pension plan (continued)

*Annual Pension Cost - County of Ottawa:*

For the year ended December 31, 2004, the County's annual pension cost of \$3,476,737 was greater than the County's required contribution of \$3,420,593. The required contribution was determined as part of the December 31, 2002 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected salary increases of 4.5% per year, compounded annually, attributable to inflation, and (c) additional projected salary increases of 0.0% to 4.16% per year, depending on age, attributable to seniority/merit.

The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return, and included an adjustment to reflect market value. The County's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll over a period of 30 years on an open basis. The remaining amortization period at December 31, 2003, the date of the latest actuarial valuation, was 30 years.

#### Three Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage Of APC Contributed	Net Pension Asset
12/31/02	\$2,723,523	98%	\$2,186,933
12/31/03	2,897,672	98	2,129,268
12/31/04	3,476,737	98	2,073,124

# COUNTY OF OTTAWA, MICHIGAN

## Notes to the Financial Statements

For the Year Ended December 31, 2004

### IV. OTHER INFORMATION (CONTINUED)

#### A. Defined benefit pension plan (continued)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAL) (b-a)	Fund Ratio (a/b)	Covered Payroll (c)	UAL as a Percentage of Covered Payroll (b-a/c)
12/31/01	\$78,249,013	\$83,294,598	\$5,045,585	94%	\$30,661,558	16%
12/31/02	82,390,079	94,625,203	12,235,124	87	33,412,998	37
12/31/03	90,403,304	102,982,304	12,579,000	88	34,289,985	37

The County's Annual Pension Cost and Net Pension Asset for the current year are as follows:

Actuarially determined contribution	\$3,420,593
Interest on Net Pension Asset	170,340
Adjustment to actuarially determined contribution	<u>(114,196)</u>
Annual pension cost	3,476,737
Contributions made	<u>3,420,593</u>
Decrease in Net Pension Asset	(56,144)
Net Pension Asset beginning of year	<u>2,129,268</u>
Net Pension Asset at end of year	<u>\$2,073,124</u>

# COUNTY OF OTTAWA, MICHIGAN

## Notes to the Financial Statements

For the Year Ended December 31, 2004

### IV. OTHER INFORMATION (CONTINUED)

#### A. Defined benefit pension plan (continued)

Ottawa County Road Commission:

For the year ended September 30, 2004, the Road Commission's annual pension cost of \$590,747 for MERS was equal to the Road Commission's required and actual contributions. The required contribution was determined as part of the December 31, 2002 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected salary increases of 4.5% per year, compounded annually, attributable to inflation, and (c) additional projected salary increases of 0.0% to 4.16% per year, depending on age, attributable to seniority/merit. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return, and included an adjustment to reflect market value. The Road Commission's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll over a period of 30 years on an open basis. The remaining amortization period at December 31, 2003, the date of the latest actuarial valuation, was 30 years.

#### Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage Of APC Contributed	Net Pension Obligation
	2002	\$118,486	100%	\$ - 0 -
	2003	458,375	100	- 0 -
	2004	590,747	100	-0-

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAL) (b-a)	Fund Ratio (a/b)	Covered Payroll (c)	UAL as a Percentage of Covered Payroll (b-a/c)
12/31/01	\$28,000,821	\$28,783,338	\$782,517	97%	\$5,791,419	14%
12/31/02	27,392,001	30,418,765	3,026,764	90	6,025,239	50
12/31/03	28,199,845	33,490,840	5,290,840	84	6,300,356	84

# COUNTY OF OTTAWA, MICHIGAN

## Notes to the Financial Statements

For the Year Ended December 31, 2004

### IV. OTHER INFORMATION (CONTINUED)

#### A. Defined benefit pension plan (continued)

Ottawa County Central Dispatch Authority:

For the year ended December 31, 2004, the Dispatch Authority's annual pension expense of \$50,231 for MERS was equal to the Authority's required and actual contributions. The required contribution was determined as part of the December 31, 2002 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected salary increases of 4.5% per year, compounded annually, attributable to inflation, and (c) additional projected salary increases of 0.0% to 4.2% per year, depending on age, attributable to seniority/merit. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return, and included an adjustment to reflect market value. The Dispatch Authority's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll over a period of 30 years on an open basis. The remaining amortization period at December 31, 2003, the date of the latest actuarial valuation, was 30 years.

#### Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage Of APC Contributed	Net Pension Obligation
	12/31/02	\$42,760	100%	- 0 -
	12/31/03	61,766	100%	- 0 -
	12/31/04	50,231	100%	- 0 -

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAL) (b-a)	Fund Ratio (a/b)	Covered Payroll (c)	UAL as a Percentage of Covered Payroll (b-a/c)
12/31/01	\$ 784,633	\$ 806,480	\$ 21,847	97%	\$723,538	3%
12/31/02	867,934	896,328	28,394	97%	705,310	4%
12/31/03	1,019,059	1,163,869	144,810	88%	635,846	23%

# COUNTY OF OTTAWA, MICHIGAN

## Notes to the Financial Statements

For the Year Ended December 31, 2004

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### IV. OTHER INFORMATION (CONTINUED)

#### B. Defined Contribution Pension Plan

The Ottawa County Central Dispatch Authority's defined contribution pension plan provides pension benefits for employees hired after January 1, 2000 who work 30 or more hours per week and those hired before January 1, 2000 electing participation in the defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate immediately upon employment. The Authority contributes 2% of each participant's base salary to the plan. The Authority also matches employee contributions up to a total Authority contribution of 5%. Employees are required to contribute a minimum of 2% of base pay to the plans. The Authority's contributions are vested 100% upon hire. The plan provisions and contribution amounts were established by the Authority Board and may be amended by the Authority Board. The plan is administered by MERS and the ICMA.

The Authority and member contributions were \$34,269 and \$34,269, respectively for the year ended December 31, 2004.

Employer and plan member contributions are recognized in the period that the contributions are due. Plan investments are excluded from this report as the fiduciary responsibility rests with MERS and the ICMA.

#### C. Self-insurance

The County is self-funded for liability, worker's compensation, health insurance, unemployment, dental insurance and vision insurance. The claims liabilities reported at December 31, 2004 are based on the requirements of Statement No. 10 of the Governmental Accounting Standards Board, which requires that a liability for claims be reported if it is probable that a liability has been incurred at the date of the financial statements and the amount of loss can be reasonably estimated.

The Ottawa County, Michigan Insurance Authority (the "Insurance Authority") blended component unit accounts for the self-insurance program for municipal excess liability, law enforcement liability, professional liability, and property liability. The Insurance Authority's participating members include the County of Ottawa and the Ottawa County Building Authority blended component unit. The Insurance Authority purchases municipal excess liability, auto liability, professional liability and property coverage. Property coverage carries a \$50,000 self-insured retention ("SIR"), and the liability coverages attach above a \$500,000 SIR for automobile liability, and \$1 million for all other coverages. The liability policies in total provide layers of coverage of up to \$12 million which is equal to the coverage from the prior year for property protection. The property coverage is \$76,741,035, which is \$385,310 less than the prior year. Coverage was adjusted to reflect updated property values.

# COUNTY OF OTTAWA, MICHIGAN

## Notes to the Financial Statements

For the Year Ended December 31, 2004

### IV. OTHER INFORMATION (CONTINUED)

#### C. Self-insurance (continued)

The revenues for this fund's operation are reimbursements from various funds. The funds are charged based on the number of full time equivalents, number of vehicles and other pertinent information. Losses, damages and administrative expenses are all paid from this fund. Administrative expenses are first paid from Internal Service fund 6770, Protected Self-Funded Insurance Programs and then invoiced to the Authority. The claim liability for known claims and incurred but not reported claims are determined by an actuary. No annuity contracts have been purchased to satisfy claim liabilities. Settled claims have not exceeded insurance coverage in the history of the self-insurance program.

The changes in the claims liability for the years ended December 31, 2003 and 2004 as recorded in the Insurance Authority blended component unit are as follows:

	Beginning of Year <u>Liability</u>	Current Year Claims and Changes in <u>Estimates</u>	<u>Claim</u> <u>Payments</u>	<u>End of</u> <u>Year Liability</u>
2003	\$ 8,270,527	\$ 2,351,239	\$258,483	\$10,363,283
2004	10,363,283	111,842	13,672	10,461,453

The County's self-insured worker's compensation program provides Michigan statutorily required coverage for worker's compensation claims. It also provides employer's liability coverage of \$13 million excess above the \$750,000 self-insured retention. An independent third party administrator administers the program for an annual fee.

The self-insurance program for health insurance including prescription coverage is accounted for in the Protected Self-Funded Health fund (Internal Service fund 6771). An independent administrator is contracted to process the daily claims. The County is responsible for claims up to \$150,000 per individual, and purchases specific excess reinsurance to a lifetime maximum of \$2 million. There is no aggregate limit on the claims for which the county is responsible. There were no changes in insurance coverage from the prior year. The County is also responsible for paying administrative charges which are included in this fund. The revenues for this fund's operation are reimbursements from various funds, employee withholdings, and retiree co-payments. The liability at the end of the year is based on claims already incurred and not reported.

**COUNTY OF OTTAWA, MICHIGAN**

**Notes to the Financial Statements**

**For the Year Ended December 31, 2004**

**IV. OTHER INFORMATION (CONTINUED)**

**C. Self-insurance (continued)**

Settled claims have not exceeded insurance coverage in the history of the self-insurance program. The changes in the claims liability for the years ended December 31, 2003 and 2004 are as follows:

	Beginning of Year <u>Liability</u>	Current Year Claims and Changes in <u>Estimates</u>	Claim <u>Payments</u>	End of Year <u>Liability</u>
2003	\$400,015	\$6,146,190	\$6,050,936	\$495,269
2004	495,269	7,579,844	7,404,159	670,954

The self-insurance programs for unemployment, dental insurance and vision insurance are accounted for in the Protected Self-Funded Unemployment fund, Protected Self-Funded Dental Insurance fund and Protected Self-Funded Vision Insurance fund (Internal Service funds 6772, 6776, and 6777, respectively). Unemployment claims are reimbursed to the Michigan Employment Security Commission based on actual claims annually. An independent administrator is contracted to process the daily dental and vision claims. Benefits for the dental program are capped at \$1,000 to \$1,400 per person annually, depending on bargaining unit. Vision is capped at various dollar limits per person every two years for eye exams, frames, and lenses. Previous dental coverage had been capped at \$1,000 for all employees. There were no changes in the vision benefit. The County is also responsible for paying administrative charges which are included in this fund. The revenues for these fund's operations are reimbursements from various funds, employee withholdings, and retiree co-payments. The liabilities at the end of the year are based on claims already incurred and reported. Settled claims have not exceeded insurance coverage in the history of the self-insurance program.

The changes in the claims liabilities for the years ended December 31, 2003 and 2004 are as follows:

	Beginning Of Year <u>Liability</u>	Current Year Claims and Changes in <u>Estimates</u>	Claim <u>Payments</u>	End of Year <u>Liability</u>
2003	\$70,753	\$590,837	\$598,037	\$63,553
2004	63,553	647,292	667,239	43,606

# COUNTY OF OTTAWA, MICHIGAN

## Notes to the Financial Statements

For the Year Ended December 31, 2004

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### IV. OTHER INFORMATION (CONTINUED)

#### C. Self-insurance (continued)

##### **Discretely Presented Component Units:**

The Ottawa County Road Commission is exposed to lawsuits and claims made by individuals. In response to this exposure, the Ottawa County Road Commission participates in the Michigan County Road Commission Self-Insurance Pool (MCRCSIP). Participation in the MCRCSIP requires payment of premiums to the pool. The pool purchases commercial reinsurance on behalf of its members.

Due to the Road Commission's participation in this pool, the liability of the Ottawa County Road Commission relative to claims covered by the pool is limited to \$25,000 per occurrence.

The Road Commission's self-funded workers' compensation program contains stop-loss and coverage of \$300,000 per incident. This limits the Commissions' responsibility for payment to \$300,000 per workers' compensation claim.

Settled claims for the Road Commission have not exceeded coverage during the past three years. There have been no significant reductions in insurance coverage during the past year.

The Road Commission's self-funded insurance claims that have been incurred through the end of the year include both those claims that have been reported as well as those that have not been reported.

These estimates are recorded in the government-wide statements as they are not expected to be liquidated with available financial resources. Changes in the estimates are as follows:



**COUNTY OF OTTAWA, MICHIGAN**

**Notes to the Financial Statements**

**For the Year Ended December 31, 2004**

**IV. OTHER INFORMATION (CONTINUED)**

**C. Self-insurance (continued)**

	<b>MCRCSIP Liability Plan</b>	<b>Workers' Compensation Plan</b>	<b>Total</b>
Estimated liability – October 1, 2002	\$62,098	\$110,245	\$172,343
Estimated claims incurred including changes in estimates and re-insurance	(6,640)	84,250	77,610
Claims and premiums paid	(32,931)	(89,449)	(122,380)
Estimated liability – September 30, 2003	\$22,527	\$105,046	\$127,573
Estimated claims incurred including changes in estimates	20,775	115,475	136,250
Claims paid	(43,302)	(112,123)	(155,425)
Estimated liability – September 30, 2004	\$ - 0 -	\$108,398	\$108,398

The Ottawa County Central Dispatch Authority is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries, as well as medical benefits provided to employees. The Authority has purchased commercial insurance for the above risks of loss. Settled claims have not exceeded insurance coverage for the last three years.

Ottawa County Public Utilities System is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees and natural disasters. In order to minimize its exposure to these risks, Ottawa County Public Utility System participates in the Michigan County Road Commission Self-Insurance Pool. Settled claims relating to participation in Michigan County Road Commission Self-Insurance Pool have not exceeded the amount of insurance coverage in any of the past three fiscal years.

**D. Litigation**

In the normal course of its activities, the County is a party to various legal actions and subject to certain asserted and unasserted claims and assessments. Although some actions have been brought, the County has not experienced significant losses or costs. The County administration is of the

# COUNTY OF OTTAWA, MICHIGAN

## Notes to the Financial Statements

For the Year Ended December 31, 2004

### IV. OTHER INFORMATION (CONTINUED)

opinion that the outcome of any pending actions will not have a material effect on the County's financial position or results of operations.

#### E. Other post-employment benefits

In addition to the pension benefits described in Note IV. A., the County provides post retirement health care benefits to the Police Officers Association of Michigan and the Command Officers Association of Michigan in accordance with their contracts in which the County will credit the retiree \$4 - \$8 for each year of service, to a maximum of \$100 - \$200 per month, to be applied toward health coverage through the County for the retiree and spouse until age 65. Currently, nineteen retirees meet the eligibility requirements. A credit against the retiree's insurance premium is given each month that a retiree and or spouse qualify for the benefit. During the year, the County's expense for such credits given to retirees for health care benefits was \$34,420.

#### F. Related party transactions

The County (primary government) collects taxes related to a .4419 millage property tax to provide an operating grant to the Ottawa County Central Dispatch Authority. At December 31, 2004, the County's financial statements included cash of \$321,678, taxes receivable of \$3,301,891 and deferred revenue of \$3,623,569 relating to such millage, which was levied for use in 2004. In addition, during the year ended December 31, 2004, Ottawa County provided operating grants of \$3,135,533 to the Ottawa County Central Dispatch Authority.

The Drains assess the Ottawa County Road Commission (a component unit of Ottawa County) and Ottawa County (the primary government of which the Drain Commissioner is a component unit) for drain projects. During 2003, the following assessments were paid to the Drain Commissioner by:

Ottawa County	<u>\$106,128</u>
Ottawa County Road Commission	<u>\$115,965</u>

Ottawa County Public Utilities (OCPU) incurred expenses of \$496,000 for services and labor provided by the Ottawa County Road Commission which also provides fiscal and managerial services to OCPU. At year end, OCPU owed the Ottawa County Road Commission \$222,281 for these goods and services.

**COUNTY OF OTTAWA, MICHIGAN**

**Notes to the Financial Statements**

**For the Year Ended December 31, 2004**

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**G. Restatements**

For the year ended December 31, 2004, the County made a prior period adjustment based on Governmental Accounting Standards Board Statement No. 34 – *Basic Financial Statements – and Management Discussion and Analysis – for State and Local Governments*. As a result of this prior period adjustment, for the fiscal year ended December 31, 2004, the following restatements were made to beginning net asset accounts:

Governmental net assets, December 31, 2003	\$127,615,725
Add: Prior period adjustment to reflect the net pension asset at 12/31/03	<u>2,129,268</u>
<b>Governmental net assets, restated, as of December 31, 2003</b>	<b><u>\$129,744,993</u></b>